

By Mr. STEAGALL: Joint resolution (H.J.Res. 192) to assure uniform value to the coins and currencies of the United States; to the Committee on Banking and Currency.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BURKE of California: A bill (H.R. 5805) granting a pension to Harriett A. Miller; to the Committee on Invalid Pensions.

Also, a bill (H.R. 5806) for the relief of James Bradley; to the Committee on Military Affairs.

By Mr. KOPPELMANN: A bill (H.R. 5807) for the relief of William Rusk; to the Committee on Naval Affairs.

By Mr. MAPES: A bill (H.R. 5808) for the relief of Fay A. Cushman; to the Committee on Military Affairs.

By Mr. TURNER: A bill (H.R. 5809) to provide compensation for Robert Rayford Wilcoxson for injuries received in citizens' military training camp; to the Committee on Military Affairs.

By Mr. WADSWORTH: A bill (H.R. 5810) to authorize the presentation of the Congressional Medal of Honor to Clarence R. Oliver; to the Committee on Military Affairs.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1198. By Mr. ANDREW of Massachusetts: Petition of the City Council of Worcester, Mass., memorializing Congress to enact House Joint Resolution 191 and Senate Joint Resolution 104, providing for a special series of postage stamps to commemorate the one hundred and fiftieth anniversary of the naturalization of General Kosciusko as an American citizen and his appointment as brigadier general in the Revolutionary Army; to the Committee on the Post Office and Post Roads.

1199. By Mr. DONDERO: Resolution of the Charles Edwards Post, No. 14, American Legion, Birmingham, Mich., expressing itself as unalterably opposed to any proposed legislation contemplating a reduction, by furlough or otherwise, of the personnel of the Regular Army and Navy, or the elimination of field training of the National Guard, or a reduction of the present armory training, etc.; to the Committee on Military Affairs.

1200. By Mr. HOEPEL: Petition of the San Francisco Signal Post, American Signal Corps Association, San Francisco, Calif., urging that necessary economies be effected only in a manner which will, at the same time, preserve our Military Establishment and produce a system for adequate preparedness; to the Committee on Military Affairs.

1201. By Mr. HOLMES: Resolution of the city of Worcester, Mass., memorializing Congress to enact House Joint Resolution 191 and Senate Joint Resolution 105 to commemorate the one hundred and fiftieth anniversary of the naturalization as an American citizen in 1773 and appointment of brevet brigadier general of Thaddeus Kosciusko, a hero of the Revolutionary War, by issuing special series of postage stamps in honor of said Thaddeus Kosciusko; to the Committee on the Post Office and Post Roads.

1202. By Mr. KENNEY: Petition of Polish-American Democratic Club of Cliffside Park, N.J., that immediate investigation be made by the Federal authorities of the financial conditions of the Cliffside Park National Bank of the Borough of Cliffside Park and the Fairview National Bank of the Borough of Fairview, and that such action be taken as they deem necessary for the immediate reopening of the aforesaid institutions; to the Committee on Banking and Currency.

1203. By Mr. HIGGINS: Resolution of Loyalty Council No. 52, Sons and Daughters of Liberty, favoring the passage of House bill 4114 to further restrict immigration to the United States; to the Committee on Immigration and Naturalization.

1204. By Mr. LUDLOW: Petition of the Indianapolis Unit of Junior Hadassah to the United States Government, to make official protest against the treatment accorded Jews in Germany; to the Committee on Foreign Affairs.

1205. By Mr. MALONEY of Connecticut: Resolution of the Woodrow Wilson Club of Hartford, Conn., protesting against the treatment of Jews in Germany; to the Committee on Foreign Affairs.

1206. By Mr. RUDD: Petition of Hope Council, No. 5, Sons and Daughters of Liberty, Brooklyn, N.Y., favoring the passage of the Dies bill, H.R. 4114; to the Committee on Immigration and Naturalization.

1207. By Mr. SMITH of West Virginia: Resolutions of the Mercer Clearing House Association, of Bluefield, W.Va., opposing any further extension of activities, power, and scope of the Postal Savings System; to the Committee on the Post Office and Post Roads.

1208. By Mr. WOLCOTT: Petition of Port Huron district, Holy Name Society, protesting against the recognition of Russia by the United States Government; to the Committee on Foreign Affairs.

SENATE

SATURDAY, MAY 27, 1933

(Legislative day of Monday, May 15, 1933)

The Senate met at 11 o'clock a.m., on the expiration of the recess.

Mr. DILL. Mr. President, I make the point of no quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Coollidge	Kendrick	Robinson, Ark.
Ashurst	Copeland	Keyes	Robinson, Ind.
Austin	Costigan	King	Russell
Bailey	Couzens	La Follette	Schall
Bankhead	Dickinson	Logan	Sheppard
Barbour	Dieterich	Loneragan	Shipstead
Barkley	Dill	Long	Smith
Black	Duffy	McAdoo	Stelwer
Bone	Erickson	McCarran	Stephens
Borah	Fess	McGill	Thomas, Okla.
Bratton	Fletcher	McKellar	Thomas, Utah
Brown	Frazier	McNary	Thompson
Bulkley	George	Metcalf	Townsend
Bulow	Glass	Murphy	Trammell
Byrd	Goldsborough	Neely	Vandenberg
Byrnes	Gore	Norris	Van Nuys
Capper	Hale	Nye	Wagner
Caraway	Hatfield	Overton	Walsh
Carey	Hayden	Pope	Wheeler
Clark	Johnson	Reed	White
Connally	Kean	Reynolds	

Mr. LA FOLLETTE. I desire to announce that the Senator from New Mexico [Mr. CUTTING] is absent because of a temporary indisposition.

Mr. MURPHY. I desire to announce the unavoidable absence of the junior Senator from Tennessee [Mr. BACHMAN] on account of a temporary indisposition. I ask that this announcement may stand for the day.

Mr. KENDRICK. I desire to announce that the Senator from Mississippi [Mr. HARRISON] is necessarily detained from the Senate.

I also wish to announce that the Senator from Maryland [Mr. TYDINGS], the Senator from Illinois [Mr. LEWIS], and the Senator from Nevada [Mr. PITTMAN] are detained from the Senate on official business.

The VICE PRESIDENT. Eighty-three Senators having answered to their names, a quorum is present.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its clerks, announced that the House had passed a bill (H.R. 5755) to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes, in which it requested the concurrence of the Senate.

The message also announced that the House insisted upon its amendments to the bill (S. 1094) to provide for the purchase by the Reconstruction Finance Corporation of preferred stock and/or bonds and/or debentures of insurance companies, disagreed to by the Senate, agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. STEAGALL, Mr. GOLDSBOROUGH, and Mr. LUCE were appointed managers on the part of the House at the conference.

The message further announced that the House had disagreed to the amendments of the Senate to the bill (H.R. 5661) to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes; agreed to the conference asked for by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. STEAGALL, Mr. GOLDSBOROUGH, and Mr. LUCE were appointed managers on the part of the House at the conference.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the following joint resolution of the Legislature of the State of Wisconsin, which was referred to the Committee on the Judiciary:

STATE OF WISCONSIN.

Joint resolution memorializing the Congress of the United States to pass House Joint Resolution 155, by Congressman O'MALLEY, authorizing Congress to conscript property as well as persons in time of war

Whereas Congressman THOMAS O'MALLEY, of this State, has introduced House Joint Resolution No. 155, which proposes to amend the Constitution of the United States to authorize Congress, in time of war, to conscript both persons and property, but permitting Congress to conscript persons only if at the same time it also conscripts property; and

Whereas in past wars, while persons have been conscripted, property has never been subject to conscription, and the Constitution as it now stands does not permit property to be taken even in war time without full compensation and in accordance with due process of law; and

Whereas this discrimination between persons and property is not only grossly unjust but is one of the principal causes of war, since men of wealth and influence will be much more hesitant to involve the country in war if they know that their property may be taken without compensation, just as the lives of their less fortunate fellow citizens may be taken: Therefore be it

Resolved by the assembly (the senate concurring), That the Legislature of Wisconsin hereby respectfully memorializes the Congress of the United States to adopt House Joint Resolution 155, proposing to the States an amendment to the Constitution of the United States granting power to the Congress in time of war to take property for military and nonmilitary purposes without payment of profit when conscripting persons for military or nonmilitary purposes; be it further

Resolved, That properly attested copies of this resolution be transmitted to both Houses of the Congress of the United States and to each Wisconsin Member thereof.

THOMAS J. O'MALLEY,
President of the Senate.
R. A. COBBAN,
Chief Clerk of the Senate.
C. T. YOUNG,
Speaker of the Assembly.
JOHN J. SLOCUM,
Chief Clerk of the Assembly.

The VICE PRESIDENT also laid before the Senate the following joint resolution of the Legislature of the State of Illinois, which was ordered to lie on the table:

STATE OF ILLINOIS, OFFICE OF THE SECRETARY OF STATE.

To all to whom these presents shall come, greeting:

I, Edward J. Hughes, secretary of state of the State of Illinois, do hereby certify that the following and hereto attached is a true photostatic copy of House Joint Resolution No. 58, the original of which is now on file and a matter of record in this office.

In testimony whereof I hereto set my hand and cause to be affixed the great seal of the State of Illinois.

Done at the city of Springfield this 24th day of May A.D. 1933.

[SEAL]

EDWARD J. HUGHES,
Secretary of State.

House Joint Resolution 58

Whereas the United States Senate has now before it the independent offices appropriation bill, one of the items therein being the amount of the budget of the Veterans' Administration; and

Whereas Public Act No. 2, section 6, provides that care and treatment may be furnished veterans of any war for neuropsychiatric ailments, thereby assuming the care of totally disabled veterans suffering from mental diseases as a Federal responsibility; and

Whereas since the ending of the World War, due to an insufficient number of beds available for the care and treatment of mentally disabled within Federal hospitals, Illinois State facilities have been utilized under contract with the Veterans' Administration at a cost much less than the operating cost of the same comparable Federal beds, and as a result of which the State of Illinois has received from one hundred fifty to two hundred thousand dollars annually; and

Whereas there are now being cared for in Illinois State institutions 1,050 mentally disabled veterans committed by the various county courts, and instructions issued by the Veterans' Administration indicate existing contracts will cease July 1, and the future care of these veterans will become a responsibility of the taxpayers of the State of Illinois; and, further, there are thousands of mentally disabled veterans in Illinois not confined in any institution whose only means of livelihood for the most part will also be taken away and the balance greatly reduced, which will obviously cause a great number of new commitments, thereby forcing the State of Illinois to appropriate \$400,000 or more for the biennium to meet the cost of care which these unfortunate veterans deserve, or to refuse such care: Therefore be it

Resolved by the House of Representatives of the Fifty-eighth General Assembly of the State of Illinois (the senate concurring herein), That we memorialize the Congress of the United States to include in the independent offices appropriation bill such measures and appropriations as will permit the continuation of contracts to meet this emergency; and be it further

Resolved, That a copy of this preamble and resolution be immediately forwarded to the President of the United States, the President of the Senate and the Speaker of the House of Representatives and to each Member of the Congress from the State of Illinois.

Adopted by the house May 16, 1933.

ARTHUR ROE,
Speaker of the House of Representatives.
CHAS. P. CASEY,
Clerk of the House of Representatives.

Concurred in by the senate May 16, 1933.

THOMAS F. DONOVAN,
President of the Senate.
A. E. EDEN,
Secretary of the Senate.

The VICE PRESIDENT also laid before the Senate a resolution adopted by a special committee of the American Machinery and Tools Institute, Chicago, Ill., approving and endorsing Senate bill 1712, the so-called "industrial control and public works bill", which was referred to the Committee on Finance.

He also laid before the Senate a telegram in the nature of a petition from R. F. Schoolfield, oil producer, and sundry other citizens engaged in the oil industry, of San Antonio, Tex., favoring the inclusion of pipe-line divorcement in the proposed plan for Federal control of the oil business, which was referred to the Committee on Finance.

He also laid before the Senate a resolution adopted by the board of directors of the American Manufacturers' Export Association, New York City, N.Y., favoring the passage of legislation to invest the President with full authority to negotiate and conclude reciprocal tariff agreements with foreign nations, which was referred to the Committee on Finance.

He also laid before the Senate a resolution adopted by the Commissioners Court of Lynn County, Tex., endorsing the program of President Roosevelt and favoring the inauguration as an unemployment relief measure of a highway-construction program in the State of Texas, which was referred to the Committee on Finance.

He also laid before the Senate a resolution adopted by the National Society United States Daughters of 1812, State of Illinois, protesting against recognition of the Soviet Government of Russia, which was referred to the Committee on Foreign Relations.

He also laid before the Senate two petitions of sundry citizens of Hammond and Natchitoches, in the State of Louisiana, praying for a senatorial investigation relative to alleged acts and conduct of Hon. HUEY P. LONG, a Senator from the State of Louisiana, which were referred to the Committee on the Judiciary.

CHANGE OF REFERENCE—PETITION OF WIDOWS OF OFFICERS AND ENLISTED MEN OF THE NAVY WHO PERISHED IN "AKRON" DISASTER

On motion of Mr. TRAMMELL, the Committee on Naval Affairs was discharged from the further consideration of the petition of the widows of officers and enlisted men of the Navy who lost their lives in the wreck of the U.S.S. *Akron* and the U.S.S. *J-3* on April 4, 1933, praying for the passage of legislation restoring in their case the double pension which widows of flight officers and men were entitled to receive prior to the passage of the so-called "Economy Act", and the petition was referred to the Committee on Pensions.

REPORTS OF COMMITTEES

Mr. McCARRAN, from the Committee on Irrigation and Reclamation, to which was referred the bill (S. 1738) authorizing the Reconstruction Finance Corporation to make loans to irrigation districts for certain purposes, reported it without amendment and submitted a report (No. 98) thereon.

Mr. VANDENBERG, from the Committee on Foreign Relations, to which was referred the bill (S. 696) to authorize Frank W. Mahin, retired American Foreign Service officer, to accept from Her Majesty the Queen of the Netherlands the brevet and insignia of the Royal Netherland Order of Orange Nassau, reported it without amendment.

Mr. FLETCHER, from the Committee on Banking and Currency, to which was referred the joint resolution (S.J. Res. 56) to assure uniform value to the coins and currencies of the United States, reported it without amendment and submitted a report (No. 99) thereon.

Mr. TRAMMELL, from the Committee on Naval Affairs, to which was referred the bill (H.R. 5012) to amend existing law in order to obviate the payment of 1 year's sea pay to surplus graduates of the Naval Academy, reported it with an amendment.

Mr. BYRNES, from the Committee to Audit and Control the Contingent Expenses of the Senate, to which was referred the resolution (S.Res. 30) authorizing the Committee on Foreign Relations to hold hearings during the Seventy-third Congress, reported it without amendment.

He also, from the same committee, to which was referred the resolution (S.Res. 73) authorizing the Secretary of the Senate to provide for the preservation of old documents on file in the Senate Library, reported it with an amendment.

ENROLLED BILL PRESENTED

Mrs. CARAWAY, from the Committee on Enrolled Bills, reported that on May 25, 1933, that committee presented to the President of the United States the enrolled bill (S. 753) to confer the degree of bachelor of science upon graduates of the Naval, the Military, and the Coast Guard Academies.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. COPELAND:

A bill (S. 1787) to provide for the prevention of blindness in infants born in the District of Columbia; to the Committee on the District of Columbia.

By Mr. WHEELER:

A bill (S. 1788) to amend section 36, part 4, of the Emergency Farm Mortgage Act of 1933; to the Committee on Banking and Currency.

By Mr. JOHNSON:

A bill (S. 1789) granting a pension to Mary D. Howard (with accompanying papers); to the Committee on Pensions.

By Mr. HAYDEN:

A bill (S. 1790) to amend the act of Congress approved June 7, 1924 (43 Stat. L. 475, 476), commonly called the San Carlos Act, and acts supplementary thereto, and for other purposes; to the Committee on Indian Affairs.

By Mr. OVERTON:

A bill (S. 1791) authorizing the Reconstruction Finance Corporation to make loans to levee districts for certain purposes; to the Committee on Commerce.

By Mr. SHEPPARD:

A bill (S. 1792) for the relief of Claude C. Martin; to the Committee on Military Affairs.

By Mr. ROBINSON of Indiana:

A bill (S. 1793) for the relief of James W. Emison; to the Committee on Military Affairs.

By Mr. ADAMS:

A bill (S. 1794) to authorize Vernon C. DeVotie, captain, United States Army, to accept a certain decoration tendered to him by the Colombian Government; to the Committee on Military Affairs.

By Mr. BLACK:

A bill (S. 1795) to amend the act entitled "An act to maintain the credit of the United States Government", approved March 20, 1933, with respect to suits on contracts on yearly renewable term insurance; to the Committee on Finance.

HOUSE BILLS REFERRED

The following bills were each read twice by their titles and referred as indicated below:

H.R. 4812. An act to promote the foreign trade of the United States in apples and/or pears, to protect the reputation of American-grown apples and pears in foreign markets, to prevent deception or misrepresentation as to the quality of such products moving in foreign commerce, to provide for the commercial inspection of such products entering such commerce, and for other purposes; to the Committee on Agriculture and Forestry.

H.R. 5755. An act to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes; to the Committee on Finance.

AMENDMENT TO PUBLIC WORKS BILL

Mr. BARBOUR submitted an amendment intended to be proposed by him to Senate bill 1712, the so-called "industrial control and public works bill", which was referred to the Committee on Finance and ordered to be printed.

ST. LAWRENCE RIVER BRIDGE NEAR OGDENSBURG, N.Y.—AMENDMENT

Mr. COPELAND submitted an amendment intended to be proposed by him to the bill (H.R. 5329) creating the St. Lawrence Bridge Commission and authorizing said commission and its successors to construct, maintain, and operate a bridge across the St. Lawrence River at or near Ogdensburg, N.Y., which was ordered to lie on the table and to be printed.

REDUCTION OF VETERANS' COMPENSATION—SUICIDE OF DISABLED VETERAN

Mr. ROBINSON of Indiana. Mr. President, I merely desire to ask for time enough to read the following telegram from Castle Point, N.Y.:

CASTLE POINT, N.Y., May 26, 1933.

Senator ARTHUR ROBINSON,
Washington, D.C.:

Harry Davies, disabled veteran, father of four small children, hung himself at this hospital. New Economy Act responsible for this suicide: worry about destitution which faces his family upon loss of compensation more than he could bear. Although Davies first actual suicide here, this added burden of worry retarding cure and hastening the deaths of many tubercular veterans.

DISABLED VETERANS.

EMERGENCY RELIEF OF RAILROADS

The Senate resumed consideration of the bill (S. 1580) to relieve the existing national emergency in relation to interstate railroad transportation and to amend sections 5, 15a, and 19a of the Interstate Commerce Act, as amended.

Mr. DILL. Mr. President, I understand that the Senator from Minnesota [Mr. SHIPSTEAD] desires to discuss the pending bill.

Mr. SHIPSTEAD. Mr. President, I desire to discuss some features of the bill and some features of the railroad transportation question this morning from a little different angle than they have been discussed heretofore. We are told that the purpose of the pending measure is to help the railroads. I, for one, want to help the railroads. They are an im-

portant part of our economic life and the most important part of our domestic transportation system on land. The hue and cry that has been raised about helping the railroads is undoubtedly due to the fact that the railroads are in trouble.

A great deal has been written in the press and said on the platform about the "dire condition", "the deplorable condition", of the railroads, and, in view of that fact, I think it important to learn, if we can, what in reality is the matter with the railroads; what is their important trouble. If we are to help them out of trouble let us find out, if we can, what brought them into trouble; what is the cause of their difficulty; what is the best way to help them; and can we help them in such a way as will not continue the so-called or labeled "policy or policies" we have pursued in recent years having for their purpose helping all industry as well as the railroads. In short, where do we go from here? These policies, in my opinion, have been detrimental to the whole Nation, because the help has been of an artificial character; it has been piecemeal; it has added to the burdens of industry, added to the burdens of transportation, and has, in my judgment, had a great deal to do with bringing the country where it is today. We have helped industry and transportation in such a way that we have arrived at a condition where the whole economic life of the Nation is threatened, if not the Government itself.

What I have to say I want to assure the Senate I do not say with any intention of casting any reflection upon the Interstate Commerce Committee of the Senate that reported this bill nor upon the authors of the bill, whoever they may be, for we do not know who its authors are. I want to discuss the facts of the railroad situation as they appear to me.

The purpose of the bill is stated to be helpful to the railroads in making it possible for them to make savings. It has been stated that under this bill the savings will be effectuated at the expense of labor. That contention has been denied; it has been argued that it is not the intention to make savings at the expense of labor.

The Senate yesterday adopted some good amendments to the bill for the protection of labor. These amendments we were told were adopted for the purpose of seeing to it that whatever savings are made shall not be made at the expense of labor. This morning I find quoted on that subject in *Labor*, the railroad labor-organization paper, a very well-edited paper, a statement by Robert B. Fletcher, general counsel for the Association of Railway Presidents, to the effect that he appeared before the Committee on Interstate and Foreign Commerce of the House on Monday and flatly declared that if the amendments proposed to be inserted by the Senate committee were adopted the bill might as well not be passed. Evidently Mr. Fletcher, speaking for the railroad presidents' organization, believes there will be no saving from the bill if the amendments for the protection of labor adopted yesterday shall remain in the bill.

Mr. Fletcher ought to know what is the purpose of the bill. Mr. Fletcher ought to know whether the savings to be accomplished are to be taken out of labor. He evidently believes that they were to be taken out of labor, because he said if the amendments for the protection of labor remained in the bill the bill might as well not be passed.

I want to discuss some other features of the bill this morning. There are particularly two features other than the labor provision. One which I think is very important is the provision which changes the basis for rate making. Before I go into that discussion I want to invite the attention of the Senate to a chart which I have had placed on the wall. The chart was prepared for me by an expert who has obtained information after a year's labor, himself digging the information out of documents of the Interstate Commerce Commission. In order to clarify what I may say later I want to call attention to the chart.

The chart sets forth the total mileage of railroads for various years. It shows the capital structure as of the date

of valuation for that period ending in 1918 to be approximately \$20,000,000,000 in round numbers which does not take into consideration approximately one third billion dollars in floating indebtedness. Since that time the capital structure has had added to it \$4,151,000,000, making a total capital structure of \$24,523,000,000 in round numbers. That is the total capital structure of the railroad plant in the United States, the total of bonds and stocks outstanding. The market value in the last 3 years for that plant, as reflected in the value of the stocks and bonds on the stock exchange, has varied from \$6,000,000,000 to \$9,000,000,000.

The chart discloses the total from rail operations. Some Senators have asked me what the number shown on the chart is intended to indicate. That is to illustrate the law of diminishing returns when the railroads charge more than the traffic will bear and which appeared in 1928 when the returns started to go down.

I invite attention to the steady interest income on the bonded indebtedness. We have the net revenue from rail operations shown at one place on the chart and in another place we have for comparison the wholesale commodity price index.

I want to talk about the capital structure. To those Senators who were not in the Chamber when I began let me say that the total capital structure as of date of the end of the period of valuation has now increased to about \$24,500,000,000.

The cost of reproduction new of this plant as given in the documents of the Interstate Commerce Commission at the time of valuation was \$14,875,000,000. The difference between \$14,875,000,000 in round numbers and \$20,000,000,000, the then capitalization, represents the difference in capital structure and the cost of production new, a difference of over \$5,000,000,000. This was the over capitalization at time of valuation. The cost of reproduction new less depreciation at time of valuation is given as \$11,873,322,000. The final value for rate-making purposes as of date of valuation is given as \$15,000,000,000 in round numbers. So we find that the Interstate Commerce Commission has valued the railroads for the purpose of ratemaking at \$5,000,000,000 less than the then capital structure calling for interest and dividends. Since valuation over \$4,000,000,000 has been added to the capitalization which has been invested in betterments equipment, most of which represents unnecessary duplication.

Mr. WHITE. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Minnesota yield to the Senator from Maine?

Mr. SHIPSTEAD. I yield.

Mr. WHITE. I am interested in the figures the Senator is giving because they are so out of line with the figures which were given to the committee by Commissioner Eastman. Will the Senator state again the cost figures?

Mr. SHIPSTEAD. These figures were obtained for me by one of the best traffic experts in the United States who worked for more than a year on the documents of the Interstate Commerce Commission. He told me that in his opinion there are facts in the documents and files of the Commission of which the Commissioners themselves were apparently not aware.

Mr. WHITE. May I interrupt further simply to repeat that the figures are quite out of line with those given the committee by Commissioner Eastman. I do not know which is correct.

Mr. SHIPSTEAD. I am glad the Senator interrupted in the way of giving that information, because I had been told by another Senator that there was a variance between the figures which I have and those given by Commissioner Eastman.

Mr. WHITE. I do not presume to say which is correct.

Mr. SHIPSTEAD. Nor do I, but I have faith in these. I have here a table in detail of the capital structure of every railroad in the United States, copied by an expert from

the documents in the possession of the Interstate Commerce Commission. This table gives the citations from official reports, so the Senator can check one against the other. Later I shall ask to have it printed in the RECORD in full for the information of the Senate and for the information of the Interstate Commerce Commission.

In the debate yesterday the Senator from Washington [Mr. DILL] was asked if the bill has anything to do with reduction of capital structure. That is a very important question. If I remember correctly, the Senator from Washington said it has not, that it does not affect capital structure. He was then asked if, in his opinion, it is not important and necessary that the capital structure should be written down. He said the only provision made for a reorganization is, in case a railroad company comes to the Reconstruction Finance Corporation and asks for a loan, that under the provisions of the bill the Corporation should not loan any money to a railroad company if, in the opinion of the Commission, the railroad company needs in the public interest a reorganization of its capital structure. I think that is important, because the history of the reorganization of railroad corporations and also of the capital structure under the authority of the Interstate Commerce Commission does not give us very much hope of any write-down in the capital structure.

From the record we get little hope of better results in the future so far as the Commission is concerned.

Another portion of the chart represents the stocks and bonds that have been issued so far back as we have any record, back to 1911. The valuation for rate-making purposes covered the period from 1914 to 1919. I do not know why 1911 was taken as the beginning. We have shown on the chart the stocks and bonds represented by the issues that have been made since the beginning of the records we have.

At another place on the chart are shown the bond issues. If there is any bond issue that has ever been made in the past 40 or 50 years that has at any time made any provision for amortization, I do not know what issue it was. Bond issue after bond issue has been made, one on top of the other. I have in mind a bond issue of nearly \$50,000,000, coming due within 60 days, issued 40 years ago, and not 1 cent has been amortized.

I am informed by railroad men that in the various yards of the United States are mile after mile of obsolete locomotives that cannot be destroyed because of the law against destruction of mortgaged property. They are no good. They were bought a long time ago. They cannot be used but cannot be destroyed because they are included in these mortgages upon which the public are asked to pay interest, collected through freight rates.

In this capital burden we have all the cost of reorganizations, all of the bankers' commissions, all of the land grants, all of the gifts ever received by the railroads. We have here still the notes and the mortgages given for money loaned to be paid for box cars 30, 40, or 50 years ago, never written off. We have here the bonds and mortgages that were issued for the rebuilding of right of way, for ties and rails when bonds were given to pay for them, not amortized. They are all here.

Up until the date of valuation, aids, gifts, grants, and donations to class 1 railroads amounted to \$956,383,000, in round numbers. That is nearly a billion dollars in gifts. Since that time, 14,000,000 acres of land have been patented to the railroads. That is all in this capital structure.

Mr. BORAH. Mr. President, is the Senator going to try to put that map in the RECORD? Otherwise, the RECORD is not going to disclose what the Senator has reference to.

Mr. SHIPSTEAD. I am going to ask to have it inserted in the RECORD, because, without that illustration, it possibly would be hard to understand what I have said.

Mr. BORAH. I do not see how it would be clear without it.

(For illustration, see p. 4409.)

Mr. SHIPSTEAD. Now, we come to reorganization.

When railroads are in trouble they go into bankruptcy or into the hands of a receiver. What has been the result of that? As a result of these reorganizations of railroad corporations up to date of valuation, their stock and bond obligations have been increased by \$270,718,594; so reorganization has not resulted in writing down the burden of debt. Instead, it has increased the burden of debt, and that is all in this total of capital structure.

Discounts or bonuses from sales of stocks and bonds of existing corporations up to date of valuation amount to \$343,871,368.

Discounts or bonuses from sales of stocks or bonds of predecessor corporations up to date of valuation amounted to \$434,194,190.

Next, the chart shows the receivers and reorganizations that have taken place prior to the date of valuation. The cost of reorganizations by receivers amounted to \$100,148,262, making a total cost of reorganization, a total increase of the mortgage debt of \$1,148,932,414.

So the history of reorganization of railroads under the authority of the Interstate Commerce Commission, and prior thereto, shows that it has not resulted in reducing the burden of debt, but, on the other hand, has resulted in an increase in debt of over \$1,100,000,000.

Mr. BONE. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. POPE in the chair). Does the Senator from Minnesota yield to the Senator from Washington?

Mr. SHIPSTEAD. I yield.

Mr. BONE. Is the Senator familiar with the reorganization proceedings in the case of the Milwaukee Railway Co. a few years ago?

Mr. SHIPSTEAD. I was very much interested at the time. I do not remember all of the details.

Mr. BONE. As I recall, they wrote out, washed out, or squeezed out all the stockholders. The road was reorganized. I was wondering if the Senator had any figures showing the present capitalization of the road, and whether there is anything in the record to indicate that they had reduced the capital structure by that drastic process which froze out all the stockholders?

Mr. BONE. I quite agree with the Senator that these reorganizations do not result in a write-down of the capital structure. The public still continues to pay on all this dwindled water that the roads had written into their capital structure.

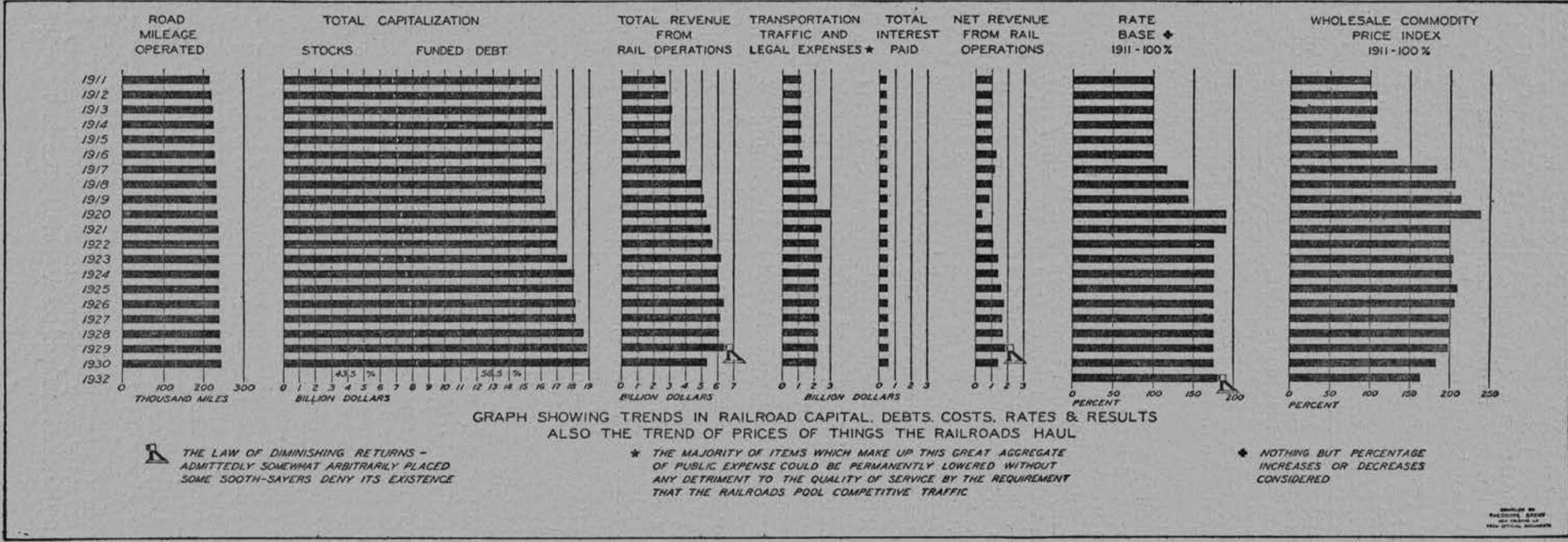
Mr. SHIPSTEAD. Oh, yes.

Rather than go into the details here, I will state to the Senator that I have the Chicago, Milwaukee, St. Paul & Pacific, with its new capital structure, in these figures. I am going to put all of them in the RECORD, because I think any Senator or the Interstate Commerce Commission is entitled to have them for the purpose of checking up on these figures. The details of the Milwaukee reorganization I do not now remember. The charge was made at the time that it was unnecessary; that they needed for the moment a small sum of money; and a certain banking house—I think it was Kuhn, Loeb & Co.—furnished it, or promised it; but, instead of delivering it, they threw the road into the hands of a receiver, and the stockholders claimed they were defrauded, and a new issue of debentures and bonds of two or three different classes was floated.

Mr. BONE. My reason for asking the question was that when these men had an opportunity to write down the capital structure and reorganize the road on some reasonable financial basis, instead of doing that they proceeded again to inject into the whole structure a new flood of wind and water in the form of stock of one kind or another, and a new flotation of bonds. In other words, under private ownership of these utilities there is no possibility of getting them to do anything reasonable. That was the purpose of my question.

Mr. SHIPSTEAD. I am glad the Senator stated what he did, because I had intended to state the same thing later.

WHERE DO WE GO FROM HERE



Mr. BORAH. Mr. President, before the Senator goes further, may I ask him a question?

Mr. SHIPSTEAD. Yes.

Mr. BORAH. I do not know that I followed the figures presented by the Senator. What is the sum total of the railroad indebtedness of the United States at the present time?

Mr. SHIPSTEAD. Does the Senator mean the bonded debt alone or bonds and stocks?

Mr. BORAH. Bonds and stocks.

Mr. SHIPSTEAD. At the present time the total of bonds and stocks of the railroads is \$24,523,816,836.

Mr. BORAH. From the Senator's study of this question, does he see any way of getting a reduction of freight rates except through a reorganization and writing down of the capital structure of the railroads?

Mr. SHIPSTEAD. I do not see how it can be done.

Mr. BORAH. Does this bill deal with that subject in any way?

Mr. SHIPSTEAD. Not at all.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. SHIPSTEAD. I yield to the Senator from Montana.

Mr. WHEELER. Instead of setting aside a fund for the purpose of meeting these obligations, as the Senator has said, what the railroads have actually done was to set aside a surplus at times; and then, when they wanted to boost their stocks upon the stock market, they have taken the money out of the surplus and paid dividends out of it.

Mr. SHIPSTEAD. That is true.

Mr. WHEELER. As I pointed out yesterday, in 1930, when as a matter of fact the railroads had a deficit, they took out of their surplus and kept up the same dividends that they had been paying in 1928 and 1929. So during those boom times, to keep up the price of their stocks, some of the railroads actually took out of their surplus a sufficient sum to enable them to increase their dividends, solely, I am sure, for the purpose of increasing the speculation in their stocks at that time. Then, of course, when they had depleted their treasuries, they came back here to the Government and asked for more money.

Mr. BONE. Does the Senator from Montana think that if the railroads over the years had used the surplus earnings they had been accumulating to amortize their funded debt, and had actually amortized a considerable part of their funded debt, the gentlemen who have been putting over all of this stuff that the Senator is discussing would not have immediately substituted for those amortized bonds a new flotation of stock and other forms of security that the railroad companies are so fond of issuing? They would have merely substituted for the amortized funded debt a new form of stock issues of some sort; they would have sold them to the public, and we would not have been any better off.

Mr. WHEELER. They would have done it if it had not been prohibited and stopped by law; but it seems to me that the Congress of the United States, which has had charge of the railroads, has been derelict in its duty, in that it did not make the railroads set aside in their good years a certain amount of money for the purpose of paying off these bonds and prohibit them from issuing new securities. Then the railroads of the country would have been in very much better shape than they are at the present time, and would have been able to give better service and lower freight rates.

Mr. SMITH. Mr. President, if the Senator will allow me, under the recapture clause the railroads were allowed to earn up to 6 percent. Of the earnings above that, 50 percent was to come to the Government and 50 percent was to go to the roads. Our committee was informed that the Government's part in the bookkeeping process was \$300,000,000. That is what we are asked to remit to the railroads in this bill.

If it be true that the Government's part is \$300,000,000, the railroads' share was \$300,000,000 above 6 percent net; so that since the passage of the act that included the re-

capture clause the railroads, according to the Interstate Commerce Commission, have earned \$600,000,000 above a net return of 6 percent. That, of course, could not be used for the purpose of paying dividends, but must be kept against the day of settlement.

So we have the spectacle that during all this period since the passage of the Esch-Cummins Act, the roads have earned, above 6 percent, the sum of \$600,000,000—\$300,000,000 for themselves and \$300,000,000 for the Government. Therefore it seems that if there had been a provision in the law by which they would have had to amortize these outstanding obligations, they could in a period of years have so reduced the burden on the public that they could today run without the assistance of anyone.

Mr. BONE. Mr. President, can the Senator tell us why the Government has not claimed the \$300,000,000?

Mr. SMITH. That would take perhaps all the time we would have until adjournment. The matter is in litigation, and I think perhaps the question is to be taken to the courts to decide whether or not the provision is a legal one. The point I want to make, however, if the Senator from Minnesota will pardon me, is that according to the bookkeeping of the Interstate Commerce Commission, there has been earned by the roads, since the passage of the Esch-Cummins Act, \$600,000,000 in excess of 6 percent.

Mr. SHIPSTEAD. Mr. President, from 1911 to 1930 the public have paid in interest and dividends, through freight and passenger rates, to this railroad plant on this capital structure a total of \$16,339,000,000. That, in round numbers, is something like \$2,000,000,000 more than the cost of reproduction new of the railroad plant at the time of valuation. So that they have more than paid, in dividends and interest, the value of the plant in 20 years, and how many times they have paid for it in the preceding 20 or 40 years we do not know; but the old plants that are worn out and have been replaced are still in this capital structure and we are still paying for them after they have been paid for several times.

Mr. NORRIS. Mr. President, will the Senator yield?

Mr. SHIPSTEAD. Certainly.

Mr. NORRIS. This discussion, and particularly the contribution made by the Senator from South Carolina [Mr. SMITH], reminds me that it seems to me it ought to be plain to everybody who is trying to have the railroads operated on a business basis that when they accumulate, if they do, by rates on freight and passengers, a surplus above a reasonable compensation in the way of dividends, instead of capitalizing that surplus the surplus ought to be applied to the reduction of the bonded indebtedness of the railroads.

In other words, if the roads continue to make a profit above a reasonable and legal allowance, it would eventually wipe out the indebtedness and the people would get the benefit of lower rates as that indebtedness decreased, and no harm would come to the railroads, but they would always be in a more prosperous condition. In a time of depression like this they would not be called upon to charge rates sufficient to pay income on an indebtedness which has, as a matter of fact, to a great extent been contributed by the people of the country in excess rates they have paid.

I would like to call attention to one case, and I speak from memory; I may be wrong as to the exact figures, but it will illustrate the point definitely. The Burlington Railroad, one of the best railroads in the United States and one of the best financial investments of the United States, through a long term of years had on hand a surplus amounting to \$60,000,000, as I remember it.

Mr. SHIPSTEAD. That is right.

Mr. NORRIS. They applied to the Interstate Commerce Commission for the right to issue stock for that \$60,000,000. During all the time they had been accumulating that \$60,000,000, they had been receiving in all instances, in every year, more than a reasonable amount for dividends. I think it was 22 or 22½ percent they paid in dividends on the Burlington Road at the time the Government took the road over, when that was the percentage we had to guarantee

while we had possession of the road. They never paid less than 8 percent, I believe.

The question arises, who contributed that \$60,000,000? It was the people of the country who had patronized the road, either as passengers or as men who shipped freight over the road. They paid that much more than they ought to have paid, assuming that the railroads should get only a reasonable return. During all that time they got, I think, much more than a reasonable return.

Technically speaking, under our law, it was held that that \$60,000,000 belonged to the railroad, and hence they were allowed to issue stock on \$60,000,000, not a penny of which belonged in reality or good morals to them, but it belonged to the people who had patronized the railroad.

If this excess charge which resulted in the accumulation of that \$60,000,000 had been applied to the reduction of the debt, as any ordinary business corporation would apply it in the operation of the institution, it would have made it possible for rates to be reduced. Instead of taking that course, however, they were allowed to issue \$60,000,000 worth of stock, and hence the result of it all was that the people who contributed that excess were themselves burdened for all time by being compelled to pay a return on that amount in the way of dividends.

Mr. SHIPSTEAD. Mr. President, I am glad the Senator brought up the question of the Burlington Road, one of the finest properties in the United States. I want to give the Senate a statement as to the capital structure of the Burlington Road, and when I give it to Senators they will easily understand why that road had such a large surplus. It also has something to do with a road that is properly capitalized. What is the value for rate-making purposes?

We must bear in mind that the Burlington Road is owned by the Northern Pacific and the Great Northern, a very valuable property. The value for rate-making purposes is \$499,000,000. When we compare that with the stock and bond issues we find they have a very low capital structure, a very low bond and stock structure, as compared with other roads. They had bonds outstanding at the time of valuation of only \$176,000,000, in round numbers, and stock outstanding of \$111,739,000, in round numbers. So it will be seen they had a value for rate-making purposes of about two hundred million more than the total capital stock and bonds. Therefore, on the basis of rates charged on that valuation, of course, they would make a very fine return on that low capital. That is one reason why I think there is something wrong with our method of valuation.

This recapture clause, about which the Senator from South Carolina spoke, specifying \$600,000,000 over and above 6 percent, as I remember, was a sweetening coat that was given to the Esch-Cummins law when it passed Congress. Congress was told, "This is a good law, because we will have the big roads help the little roads and the poor roads", and they were allowed to collect with the understanding that that fund, over and above what they could make under the law, should be apportioned out among the weaker roads. I understand that very little has been paid out. It is held by these corporations to the amount of \$300,000,000, I believe the Senator said, and under the pending bill it is proposed that shall be paid back to the strong roads which collected it.

I am sorry the Senator from Idaho is not here now. He brought up the question of the reduction of rates under the pending bill. I said I could not see where there was any opportunity to reduce rates under the bill. On the other hand, I believe there is a very good foundation in this bill for raising rates, because it changes the basis of rate making.

Under the Transportation Act rates were to be fixed on what was found to be the fair value of a railroad. Under the decisions of the Supreme Court that was changed from the fair value for rate-making purposes established by the Interstate Commerce Commission to what the Court said should be the basis for rate making—cost of reproduction new. The cost of reproduction new is an entirely different matter from

what it was during the inflation period, from 1916 to 1918, or from 1918 up until 1929.

Mr. WHEELER. Mr. President, will the Senator from Minnesota yield for a correction?

Mr. SHIPSTEAD. Certainly.

Mr. WHEELER. I think the Senator's statement is a little too broad. The Supreme Court did not say that the basis should be the cost of reproduction new. It said that that was one of the factors, one of the important factors, that should be taken into consideration.

Mr. SHIPSTEAD. I possibly laid too much stress on that, and I hope Senators will excuse me for doing so. I do not want to overstate anything I think to be a fact; but when we take into consideration the background of what the Court said at that time, and what they said subsequently, I think we are justified in saying that that is the rule.

Mr. BONE. Mr. President, will the Senator yield.

Mr. SHIPSTEAD. I yield.

Mr. BONE. I would like to ask the Senator from Montana, and the question is directed also to the Senator from Minnesota, whether it is not a fact that in the *McCardle case*, arising in the State of Indiana, the Supreme Court did not virtually adopt, almost in toto, the doctrine of reproduction cost new in establishing the value of the utility involved in that case? In other words, when these cases were adjudicated in the Supreme Court, they went back to the local bodies for determination, and they practically applied the doctrine of reproduction cost new.

Mr. SHIPSTEAD. The *O'Fallon case* was not the last word of the Court on the subject. The first word came in the *Indianapolis Water Rate case*, and as long as this has been brought up, I am going to say a word about that case.

Mr. BONE. The Senator means the *McCardle case*?

Mr. SHIPSTEAD. I am now talking about the *Indianapolis Water Rate case*, where the first rule was laid down by the Supreme Court, through Justice Butler, as to the basis for valuation for rate making.

Mr. BONE. That was the case of *McCardle* against The Indianapolis Water Co.

Mr. SHIPSTEAD. That was the first one. In that case the Supreme Court overruled the State utilities commission—I think it was called—which had valued the property for the purpose of making a rate, and the company appealed to the Supreme Court for redress, saying that their property was confiscated without due process of law. The Court rendered a decision overturning the findings of the commission and wrote the rule that cost of reproduction new had to be the basis of valuation for rate making.

Justice Butler wrote the opinion in that case. I do not want to cast any reflection on Justice Butler, who has had a very distinguished career as a lawyer and on the Supreme Court Bench, but when Justice Butler was appointed to the Supreme Court in 1922—and I say this without questioning his integrity or his honesty or his ability; I have the highest regard for his ability—I had not taken my seat in the Senate, but I came down to protest against his confirmation, on the ground that for years he had been the chief counsel for the railway executives in their actions before the Interstate Commerce Commission on the question of valuation, and Justice Butler was the originator, to the best of my knowledge, of the theory of the cost of reproduction new. I well remember coming as a tenderfoot—and I still am—to the Senate and to the Judiciary Committee to be heard.

The three distinguished Senators on the subcommittee of the Committee on the Judiciary were Senator Knute Nelson, Senator Cummins, and Senator Walsh of Montana, all three now dead. As a result of my objection, they all agreed that Justice Butler would be disqualified from sitting in a case affecting the valuation of railroads when the Supreme Court should finally decide that question. Of course, if that were true, that was no reason, standing alone, why the Senate should fail to confirm him. But the first case involving valuation for rate-making purposes was the *Indianapolis*

Water Rate case, and the decision was written by Justice Butler, and the rule was fixed in that case, as we found later in the *O'Fallon case*, when the Interstate Commerce Commission, on the valuation of a railroad, came into Court.

Mr. LONG. Mr. President, will the Senator permit me to make an interpolation just there?

The PRESIDING OFFICER. Does the Senator from Minnesota yield to the Senator from Louisiana?

Mr. SHIPSTEAD. I yield.

Mr. LONG. Just before Mr. Justice Butler came on that Court they had had the *Galveston Rate case*, and, I think, the case of the Georgia & Carrollton Railroad, from Georgia. Just before Justice Butler took his seat they had reaffirmed the doctrine, in the Smythe against Ames case, that all of these items were to be taken into consideration, and had refused to adopt the dominant reproduction-cost theory. Mr. Butler, then the proponent of this logic, was put on that Bench following those two decisions, which had been the law for many, many years. He was deliberately put on that Bench, and sat there and wrote the opinion in the *Indianapolis Water Works case*, turning over the previous decisions for something he had been advocating before that Court all the time, and everybody knew it.

Mr. NORRIS. Mr. President, I do not want to take up the time of the Senate in discussing Mr. Butler's appointment without the consent of the Senator, but I was a member of the Judiciary Committee when that appointment was made. I was not a member of the subcommittee. If the Senator will remember, when he came down here, as he says, a "tenderfoot", before he had been sworn in as a Senator, although he had been elected, the short session of that Congress then being under way, he came to see me about it. I think he will remember when I remind him that I was the member of the Judiciary Committee who arranged for the hearing and for the Senator to be heard before the subcommittee. There was quite a contest over that case, and, if the Senator will permit me, without having any reference to any individual, I want to discuss it from the standpoint of the principle involved.

Here was a man appointed to the Supreme Court. His nomination was referred by the Senate to the Judiciary Committee. The Senator has told the Senate who the chairman of the Judiciary Committee was and who composed the subcommittee. Both the chairman and the members of the subcommittee have now passed away, but I shall never forget the discussion that took place, both in the committee and on the floor of the Senate. The proceedings in executive session at that time were held behind closed doors, and so there is no record of the debate; the public was not allowed to hear what went on in this Chamber when the report on that nomination came before the Senate. However, it was conceded by everybody that the man nominated was the attorney—there were a number of other attorneys—at the head of the organization of attorneys who were opposing the valuation of the railroads then going on before the Interstate Commerce Commission. He was at the head of the list of attorneys who were making the fight on behalf of the railroads. I say that without criticism of any of them; they had a perfect right to do that; but the man who was at the head of that list of attorneys was appointed by the President to become a Justice of the Supreme Court.

It was argued here—I remember it so distinctly that I can pick out the seat of practically every Senator who participated in that debate—it was argued on one side that there was a question coming before the Supreme Court which had not yet been determined and which was probably the most important question that had come before the Supreme Court for a hundred years. It had to do with the valuation of the railroads, a work in which the Interstate Commerce Commission, under a law of Congress, had been engaged for quite a number of years. They were nearly ready to present one case, at least, that would test and try out the question before the Supreme Court whether the Commission had

followed the right process in the mind of the Court in reaching a valuation. The man who had been on one side of the controversy, the leader, was selected to go on to the Court just before that question was going to be submitted to the Supreme Court.

That was the main objection to this man. His ability was not questioned; his honesty was not questioned; but the objection was that a man who had been engaged in that work would have a settled view on it and of the whole situation, and that, while he might be perfectly competent and perfectly honest, as he came fresh from the controversy, in all probability, unless he were broad-minded beyond the ordinary individual, he would not be able to dissociate himself from the years of work that he had put in on that question which he was going to be called upon to decide.

The answer—a perfectly good answer from a technical standpoint—was made here on the floor that while that was all true, when that case came on before the Supreme Court this man would stand aside and would not participate. It was said, and it is true, that a lawyer with an important practice, when he goes on the Bench, will find himself confronted, especially soon after he goes on the Bench, with cases in which he participated as an attorney and he must call in some other judge to decide the case. Everybody knew that was true. That was the question in a nutshell that was submitted to the Senate. The nomination was confirmed.

Then what happened? The *O'Fallon case* was soon coming on to be argued in the Supreme Court, but ahead of that case came the *Indianapolis Water Works case*, where identically the same question was involved. The valuation of the water company in the city of Indianapolis and the method the commission of Indiana had taken to find the valuation of that water company were the whole questions at issue. The rate the company could charge for water depended upon the valuation, and that was the controversy; and the same controversy was under consideration in the *O'Fallon case*, the decision in which settled the valuation of all the railroads of the United States supposedly through eternity.

That question was argued in the Supreme Court before the *Railroad case* was argued. Everybody knew the identical question was involved in both; and the man who had been confirmed sat with the Court in determining that question. Not only that but when the Court reached a conclusion—there was a divided Court—he wrote the opinion of the Court, and it became the law of the land that governed railroad-valuation cases just as completely as though the decision had been made in those cases. So when the question of the valuation of railroads came on it came into the Court then with that question already determined, true to what Senators said here, behind closed doors when that nomination was under consideration, the man who had been confirmed at that time stepped aside and did not participate in the railroad case. Mr. President, it was not necessary for him to step aside; the question had been previously determined.

The propriety of doing that has been discussed by lawyers all over the United States and some interesting magazine articles and law journals have been written on it. That is the history; and since most of those who participated in it are dead and those who remain will probably soon be dead, I am glad, with the permission of the Senator from Minnesota, to relate that history for the RECORD.

Mr. LONG. Mr. President—

The PRESIDING OFFICER. Does the Senator from Minnesota yield to the Senator from Louisiana?

Mr. SHIPSTEAD. I yield.

Mr. LONG. Mr. President, I was chairman of the State Public Service Commission of Louisiana at the time of this fateful history, and I want to add a few words. Contrary to what had been given us to understand, as I think the Sena-

tor from Nebraska will remember, there had been a rule of valuation established by the Supreme Court.

Mr. NORRIS. Yes; I think so.

Mr. LONG. They had a rule of valuation established for 30 years. William Jennings Bryan was the chief counsel in the case of Smythe against Ames, and the Supreme Court had written a clause as to valuation, reading about as follows:

That there should be considered the cost of the property, the value of its bonds and of its stocks, and all such factors.

They had established a rule of valuation, and they not only had established it, but we knew that efforts had been made for 30 years to try to rig up the Supreme Court. Case after case came before the Supreme Court in which they adhered to the doctrine of Smythe against Ames, within a short a time, I will say, as 2 or 3 months of the day when Justice Butler was appointed to the Supreme Court. I was hearing the rate case of the Southwestern Gas & Electric Co., and when Mr. Dufour read of the appointment of Justice Butler, and I will never forget his remark—

That settles the question; we will have no more trouble, and this matter will now be determined predominantly upon the present value reproduction cost new, less depreciation.

I want to call attention to something else the Supreme Court did. When we were trying little Louderback here the other day I felt like weeping when I realized that time was being spent on the question of whether he slept somewhere he ought not to have slept. We were trying that poor little devil on the ground that there was a cat in somebody's house that ran him out, and I felt sorry for him. Now let me tell you what was done right under the dome of the Capitol; and it is of record. Here is what we let the nine black-robed high priests do. They had held that going-concern value was a discretionary value that the commission could allow or not allow, but that it was not confiscatory if the commission did not allow it. They then held that interest on the investment during the period of construction was a discretionary item that the commission could allow or not allow, but it was not confiscatory not to allow it. Time after time I had written orders in which I had not allowed it, and the courts had sustained the action on the ground that it was strictly within the commission's sound discretion as to whether it would allow going-concern value and interest on investment during construction, but when Mr. Justice Butler went on the Supreme Bench the Court wrote into the law that it is confiscation of property not to add investment during construction and going-concern value.

I read the other day that maybe they have now taken goodwill out of going-concern value and are fixing to lump another thing or so on top of what they have already done. It has been positively, openly, and boldly known that the Supreme Court of the United States was rigged up with the chief counsel advocating that revolutionary theory to pyramid these values, and that he was put on there within 2 months after the Court had restated the rule that had been the law of this country since the Republic was created. As a result of that appointment they rigged up and pyramided the values to where, notwithstanding the fact that the total value of the railroad securities on the market today is around eight and a half billion dollars, they will be able to go into court and sustain a valuation and to receive a return on a valuation perhaps as high as \$30,000,000,000.

Mr. SHIPSTEAD. Mr. President, I believe that the rule of cost of production new had not been written into a decision by the Supreme Court until the *Indianapolis Water Rate case*. I knew that the Supreme Court had made some decision on the question of valuation for the purpose of rate-making, but my information was that the cost-of-production-new rule was first written into the *Indianapolis Water Rate case*.

Mr. LONG. Mr. President, if the Senator will pardon me, they had stated that it was something to be considered but

not to be the yardstick of value. They had stated that along with cost and value of stocks and bonds, the present cost of reproducing the property should be considered. They were trying to make them adopt that as a yardstick, and they finally did.

Mr. SHIPSTEAD. Yes. That was the method of valuation that Mr. Butler, as attorney for the railway executives, who appeared before the Interstate Commerce Commission, advocated for years.

Mr. President, I had not intended to discuss this phase of the subject today, but so long as the question has been raised I want to finish the story.

The next case that came up after the *Indianapolis Water Rate case* was the *O'Fallon case*. I do not remember whether it was Mr. Justice McReynolds or Mr. Justice Sutherland who wrote that decision, but that case was sent back with an admonition to the Interstate Commerce Commission reminding them that they had not taken into consideration cost of reproduction new. When they were reminded of that rule, how could the Commission decide to what extent they should take into consideration the cost of production new? They must take it totally into consideration or not at all, it seems to me.

The next word came in the *Street Railway case* from Baltimore. Another judge wrote that opinion and, overturning the State commission findings, said that the cost of reproduction new has long been the policy of the Supreme Court. So far as I know it had been the policy of the Court only since the writing of the opinion in the *Indianapolis Water Rate case*, but that was sufficient.

Now, in this bill we are going to change that principle. It came out yesterday in the debate when the Senator from Washington [Mr. DILL] said that the old principle had proved unsatisfactory; that the old valuation since the enactment of the transportation law, based upon the findings of the Interstate Commerce Commission during the period 1914 to 1918, had proved unsatisfactory; so now under this bill the principle for the basis of rate making is going to be changed. Rates are going to be fixed on the basis of cost of production of service, according to the interpretation of the Senator from Washington. If I misunderstood the Senator, I wish to be enlightened.

What does that mean? It seems to me that a very good reason for abandoning cost of reproduction new based upon valuation for rate-making purposes fixed by the Interstate Commerce Commission is that the cost of reproduction new is now an entirely different matter than it was during the period of high prices, and will ultimately force a reduction of rates. So the principle for rate making is now being changed to cost of production of service. What is likely to happen as a result of that rule if it becomes law? I am sorry the Senator from Washington is not present at the moment, because I want to be corrected if I misunderstood him in his interpretation of the bill yesterday.

Let us see what is going to happen. If we change the basis of rate making to fix rates on the cost of production of service, where will that bring us? The cost of reproduction new does not take into consideration capital structure. Under that principle of rate making the Interstate Commerce Commission fixed a valuation for rate-making purposes, in round numbers, of \$15,000,000,000, but now we are going to get away from that. Now we are going to fix the rates on the basis of the cost of production of service. That, it seems to me, brings in the difference between the \$15,000,000,000 for rate-making purposes and the \$24,000,000,000 of capital structure demanding dividends and interest. Certainly the cost of dividends and interest on the capital structure must be figured in the cost of production of service. Then we have a much broader basis and a much better excuse for raising rates than we had on the basis of the valuation of \$15,000,000,000 for rate-making purposes.

This will add additional burden to the weight already carried by the public in high freight and passenger rates.

It will be borne in mind that wages of railroad workers now employed have already been reduced by one hundred and sixty to two hundred million dollars per year for the benefit of stockholders and bondholders.

What is true of the capital structure of railroads I believe to be practically true of every capital structure of every large industry in the United States. The capital structure for industry and the transportation systems has placed upon them, in my opinion, a fixed overhead charge that has more to do or as much to do with the break-down of our agriculture, commercial life, with the break-down of trade and commerce, as had the peddling of billions and billions of paper with gold stars on it by the bankers throughout the country to get the people's savings for pieces of paper which they could produce for less than a cent apiece, dissipating the savings of the people, destroying their purchasing power, taxing the necessities of life through price fixing and through the fixing of high rates for transportation, taking so much of the production of wealth of the great mass of the people as to break down and destroy their purchasing power.

I am reminded of a story that is told of a rule in the Middle Ages which provided that when a man had committed murder, in punishment the corpse of the murdered person was tied to his body and he had to drag it around with him until there was nothing left of it. With this dead capital structure representing dead material, worn-out, obsolete equipment, worn out a long time ago, I wonder how long that corpse shall be hung around the necks of the American people, not only the transportation industry, but also all the more important other industries of the country.

It seems to me if it is true, as the Senator from Washington stated on yesterday, that we are now going to fix rates for the railroads on the basis of the cost of production of service, that instead of getting reduction of rates we will get an increase of rates. We have then got to take into consideration the interest and dividends on the capital structure. The question is, Ought we to do that? With that record of financing which dates back as far as we have any records, how long are we going to continue?

I point to the capital structure of the railroad industry. It is customary to call an "enemy of the railroads" one who deigns to criticize them. It seems to me that those who have enacted the legislation to help the railroads have been their worst enemies. They have not, in my opinion, helped the railroads. They have helped the speculators and bondholders but may ruin all of them. Let me refer to the Steel Corporation. When it was formed, the various companies of which it was composed were paid in obligations of the Steel Corporation to the value of 5 to 10 times the physical value of the property. What has that to do with the railroads? It has this to do with the railroads. Up to the time the Steel Corporation was formed Andrew Carnegie with some associates had made a great deal of money in the steel industry by making and selling steel rails for \$20 a ton.

When the Steel Corporation was organized, those companies were paid in debentures and obligations of the Steel Corporation from 5 to 10 times the physical value of their property. I think that is generally well known. It is common knowledge. Certainly I have it on the word of one of Andrew Carnegie's partners. To pay a return upon that fictitious capitalization, in 1900 they raised the price of steel rails to \$28 a ton. The common stock represented no value except potential earnings of the future, and before the war sold as low as \$8 a share. I am not sure that it may not have sold even lower than that.

Up until 1915 the Steel Corporation made and sold rails for \$8 a ton more than had been charged by Andrew Carnegie. During the war they raised the price of steel rails to \$53 a ton and held it there. They finally reduced it to \$45 a ton, then to \$43 a ton, and last fall, with a great

show of patriotism, reduced the price of steel rails to \$40 a ton after they had cut the wages of their laboring men twice. In 1929 Steel common stock sold for \$200 per share. Rather than reduce the price of steel so the people with diminishing purchasing power could buy, they went down to 12 or 15 percent of production capacity in order to maintain prices if purchasing power ever should come back. All these years they have been selling steel rails to the railroads at prices varying from \$53 a ton down to the present time, when they are selling at \$40 a ton. I have been told that if they would be satisfied with an honest return on an honest capitalization, they could still make and sell steel rails as low as Andrew Carnegie did. But the steel industry, dominated by the same group that dominated the railroads, had to do something with the price of steel in order to collect for the steel industry out of the railroads, making the public pay \$53 a ton for steel rails in order that the same interests that control the steel industry, which in turn control the railroads, might use the railroads as a collection agency for the steel industry because they have the power to fix the price.

In turn what did they do for the railroads, the same interests that dominate the steel industry and that also dominate the railroads? They charged the railroads \$53 a ton for steel rails. The Federal Trade Commission has given us an example of what they did for the railroads, in their report showing what they had discovered in investigating the cement industry. On the one item of cement the Federal Trade Commission showed that the railroads had exacted an unjustified charge upon the consumers of that one commodity of \$31,000,000 a year. That was to help the railroads so that they could pay \$40 to \$53 a ton for steel rails.

Those are merely two items to show the interlocking, milking process by the same banking groups who dominate the steel industry, who dominate the transportation industry, and many other industries, and to a large extent banking, and the public pays the price.

This tremendous capital structure lying as a burden upon the railroads of the country is making it necessary, through the control of industry, for one to help the other and then one to milk the other, until it finally comes back to the source of it all. It seems to me that under this bill, when we change the basis for rate-making purposes from the value fixed by the Interstate Commerce Commission based upon cost of reproduction new, or cost of reproduction less depreciation, and adopt the principle of basing the rates upon the cost of service, that affords a chance to bring in this extra capitalization to collect enough to pay interest on the \$10,000,000,000 of stocks and bonds in excess of what the Interstate Commerce Commission allowed as a valuation for purposes of rate making.

Mr. NORRIS. Mr. President, may I ask the Senator a question?

The PRESIDING OFFICER. Does the Senator from Minnesota yield to the Senator from Nebraska?

Mr. SHIPSTEAD. I do.

Mr. NORRIS. Taking the position that the Senator does on the rate-making power provided for in this bill, has he suggested or is he going to suggest any amendment that will correct this evil, if it be an evil, and provide a method, according to his theory of arriving at a just and fair rate?

Mr. SHIPSTEAD. I did not see this bill until yesterday. I have given it some thought. I do not see how this bill can be changed so as to effectively remedy the matter. I said, in opening my remarks to the Senate this morning, that I wanted to discuss the bill from a different angle than that from which it has been discussed so far. I wanted to discuss it from the standpoint that I have discussed it, hoping to show the impossibility of changing the rate structure or the capital structure so long as the railroads remain in private corporate possession.

To show their influence, and how this capital structure has been built up and is now saddled on the backs of the American people, I desire to read an extract from a report of the Interstate Commerce Commission given in an address by Mr. Samuel Untermyer on the 27th day of February 1933, at the University Club of Los Angeles. This capital structure has been built up in the way stated by Mr. Untermyer, and it is all in this chart. All the things he enumerates here, taken from the report of the Interstate Commerce Commission, are in the structure shown on the chart.

He says:

During the years from 1912 to 1915, many complaints were made by shippers and the public to Congress and the Interstate Commerce Commission of illegal practices of five important systems of railways and their resulting inefficiency of service and unjust rates. The Commission accordingly made extended investigations and issued official reports of findings between the years 1913 and 1917 respecting these practices and the financial transactions of these five systems, embracing approximately one third of the country's entire mileage. The systems so investigated were the New Haven, Louisville & Nashville, Chicago, Rock Island & Pacific, St. Louis & San Francisco, and the Cincinnati, Hamilton & Dayton, and Pere Marquette.

Now, here is what the Commission said:

The evidence and findings of the Commission are published in their official reports and disclose, among others, the following facts:

- (1) That each railroad company investigated knowingly falsified its accounts, partly to hide expenditures of large sums for the control of politics and elections and to influence legislation and the administration of laws.
- (2) Falsified its accounts respecting capital, expenses, and profits so that the Commission was unable to ascertain for what purpose vast sums had been expended.

Mr. NORRIS. What is the date of that report?

Mr. SHIPSTEAD. It is the report of the Interstate Commerce Commission for 1917, after an investigation lasting over several weeks.

(3) In many cases the books and accounts were burned by the directors in order to hide various illegal transactions. Many of these acts were done by directors who were well known as among the world's most powerful financiers. Even though many records were wilfully destroyed the Commission was able to secure sufficient evidence to disclose the names, dates, and facts.

The Commission's report, in order to bring these various illegal practices in systematic order before Congress and the people, was classified as follows:

- (a) Extravagant speculations and purchases of worthless securities in the interest of the directors; speculations from the stockholders, many by illegal devices accompanied by the falsification of books and accounts and their later burning by the directors.
- (b) Illegally spending the stockholders' money and property to corruptly influence politics, the press, and public opinion, and to secure secrecy respecting their accounts.
- (c) Acts to secure a monopoly against the public interest by the violation of the laws of many States as well as of the Nation.
- (d) The organization by the railway directors of "fake" corporations and "dummy" officers to hide the identity of real promoters and shield them from prosecution.
- (e) The voting to themselves by directors of extravagant salaries, in addition to which large sums were taken by some of these officials without warrant of law.
- (4) As these corrupt practices, including falsifying of records, etc., are common to all the railroads investigated, a résumé of the New Haven system investigation will suffice for all.

I am not going to take the time to read that; but if there is no objection, I ask to have this address printed as a public document. These influences enumerated indicate forces so powerful as to frustrate any public control of these corporations by the Government that created them. The creature now controls its creator.

There being no objection, the address was ordered to be printed as a public document.

Mr. SHIPSTEAD. All these things are in the capital structure shown on this chart. They are all here.

Mr. BORAH. Mr. President, we are preparing, however, to suspend the Sherman antitrust law, are we not, to give them an opportunity to do the same thing again?

Mr. SHIPSTEAD. That law has never been enforced except against labor organizations.

This capital structure is a corpse from the past, by means of which the American people are still carrying, on their backs, through transportation rates, the locomotives and box cars and steel rails bought and worn out 30 and 40 years ago.

The railroads were able to do that only because for years the railroad-transportation industry has been a monopoly. It is now quite likely that it will cease to be a monopoly. I do not mean to say that we do not have to have railroads. We need railroads; but they have ceased to be a monopoly, and I am wondering if that is another reason why the principle of rate making is changed in this bill.

The Senator from Idaho [Mr. BORAH] this morning, before he left the Chamber for a time, asked if in this bill there was any provision for reduction of rates; and, owing to interruptions, I was not at that time able to answer the Senator. I said there was not any provision in the bill that I could see for reduction of rates; but in the discussion that followed the Senator's presence in the Chamber, I called attention to the debate in the Senate yesterday in which it was brought out that in this bill the principle of rate making is entirely changed, and the rates from now on are to be based upon the cost of rendering the service, and that in my opinion gives a broad basis upon which to raise freight rates instead of reducing them, because interest and dividends on this capital structure—\$10,000,000,000 in excess of the amount fixed by the Interstate Commerce Commission for the purpose of rate making—it seems to me, will now be taken into account because the \$10,000,000,000 in additional capital structure is part of the cost of rendering the service.

Mr. SMITH. Mr. President, will the Senator allow me to read the modification of section 15a as it appears in this bill under paragraph (2)?

In the exercise of its power to prescribe just and reasonable rates the Commission shall give due consideration, among other factors, to the effect of rates on the movement of traffic.

That was discussed at some length in the committee, looking toward the competition that is here in the form of the internal-combustion engine, trucks, and busses, motor traffic, and it was the opinion of some members of the committee that this would give to the Interstate Commerce Commission and the roads the power to meet this competition. The Senator will notice that the language is—

give due consideration, among other factors, to the effect of rates on the movement of traffic—

Of course, meaning on the movement of traffic over railroads. Now—

to the need, in the public interest, of adequate and efficient railway transportation service at the lowest cost consistent with the furnishing of such service—

That was on a cost basis—

and to the need of revenues sufficient to enable the carriers, under honest, economical, and efficient management, to provide such service.

I think the committee were convinced that that liberalization or changing of the basis of rate making was for the purpose of meeting the inevitable competition that is here.

All of us understand that this competition is here. I desire to call the Senate's attention to the fact that under the Esch-Cummins Act all the railroad property devoted to public use as a whole—not in any particular system, but all of it—was to be valued, and upon that aggregate value the Interstate Commerce Commission was authorized and directed to fix a rate that would return, on all this property, as nearly as possible the rate allowed. The maximum rate allowed was 6 percent. Now, with this coordinator appointed who is to take into consideration the competition that is here, and the changed relation of the public, and the dependence of the public upon this system, the Senator said that there was no probability of there being any writing-down of the burden on the public. This coordinator is given the power to eliminate certain roads

which in his judgment are not necessary for the public convenience and necessity, and also to reduce the activities of any of the trunk lines leading into any of the metropolitan areas.

Does the Senator understand that in spite of the discontinuance of some lines, and the reduction of the activities of others for a period, and the interchanging that is provided for—to illustrate, three roads arrange to have one use its equipment for a certain part of the time, and to have another use its equipment for a certain part of the time—under the terms of this bill no reduction is to be made in the burden on the public, when we shall have eliminated so many millions of property, like these box cars and engines and equipment, which under the law were the property of the people who held the mortgages, and at the time of the Esch-Cummins Act were the basis of rate making? Does he think we still will have to pay the same rates and fares with all this property eliminated under the coordinator?

Mr. SHIPSTEAD. Can the Senator find anything in the bill to make it possible to reduce those rates and fares?

Mr. SMITH. In drafting this paragraph to which I have called attention, I think the committee had in view the idea that it would give the railroads leeway to meet this competition in such a way wherever it was necessary to sustain the roads, and where it was not necessary to eliminate them.

Mr. BORAH. That might result in a raise of freight rates.

Mr. SMITH. It might, but everything depends upon the administration of the law.

Mr. BORAH. Unless we deal with the capital structure of the roads, how is it possible to reduce rates under the provision here?

Mr. SMITH. That was the question I asked the Senator. It is provided that the coordinator shall have power to suspend operations on roads and eliminate certain roads from being carriers at all, and it does seem to me that if that is eliminated the public ought not to be called upon to pay for something which is not devoted to their use.

Mr. SHIPSTEAD. Mr. President, let us look at the background of this measure. What is the background? The background is furnished by the hue and cry that the railroads are hard up, that they cannot pay a return on their capital structure. So they come to the Reconstruction Finance Corporation; for what purpose? To get money from the Government of the United States so that the railroads can hand it over to the bondholders, so that the bondholders shall get their interest. That is all there is to it. It is proposed that under this bill there shall be a great deal of saving, in order to help the railroads out of the financial difficulty in which they are now, when they have to come to the Government for Government money to pay to the bondholders.

Mr. BORAH. But not to reduce freight rates.

Mr. SHIPSTEAD. No; there is nothing here about reducing freight rates. I think we have a right to assume that if they make any savings, those savings will not be reflected in reduced freight rates, but will be paid over to the holders of the bonds in lieu of the money we have so far borrowed for the railroads from the United States Government. I think that is a natural and a reasonable assumption.

Mr. BORAH. Mr. President, is it not true that the very object and purpose of this bill is to relieve the railroads financially?

Mr. SHIPSTEAD. Of course. Let us see how they have saved some money. We have heard a great deal about the very efficient management of the railroads since 1920 under the Transportation Act, and we are also told that great savings have been effected as a result of this very efficient management. How much has been saved?

From 1920 to 1929 the operating expenses of the roads were reduced \$1,322,000,000. That is what they said.

Mr. TRAMMELL. Mr. President, there is so much disorder in the Senate that it is impossible to hear the very

interesting speech of the Senator from Minnesota. May we not have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. SHIPSTEAD. Mr. President, from 1920 to 1929 there was saved in operating expenses by the railroads the total sum of \$1,322,000,000. How were those savings effected?

The sum of \$785,000,000 out of that \$1,322,000,000—almost 75 percent of the saving in the operating expenses—was taken out of whom? That was made out of the discharge of 361,982 employees, a saving on the pay roll, a saving at the expense of the human element, undoubtedly due to large equipment, heavier steel, heavier locomotives, heavier box cars, larger trains, reduced grades, and so forth. So labor lost \$785,000,000 out of the railroad plants between 1920 and 1929.

In 1920 there were employed on the railroads 2,022,832 men. In 1929 there were employed on the railroads 1,660,850 men; 361,982 had been discharged, and Mr. Fletcher, who speaks for the Association of Railroad Presidents, is reported to have said before the House Committee on Interstate Commerce on Monday that if the amendments adopted by the Senate on yesterday are kept in the bill, the bill had better not pass.

While labor in the aggregate lost \$785,000,000 in that period of time, how did those who hold the bonds and the stocks fare? Dividends on this part of the capital inside this white dotted line on the chart represent a little less than \$2,000,000,000 out of the value of the properties and the plants for rate-making purposes. That part of the capital structure received \$331,102,938 in dividends in 1920. In 1923, 3 years later, when the income to labor in the aggregate was going down, their dividends increased to \$405,190,775. While the aggregate income to labor was still declining, by December 31, 1929, dividends were paid of \$555,692,172.

In 1920, 57.31 percent of the stock was paying dividends. By 1929, 77.82 percent of the stock was paying dividends.

It seems to me that we have to do something with this condition and get rid of it, not only in the transportation industry but in every industry of large productive capacity in the United States.

There is one thing we are going to do now. Because it is an illusion unless we get rid of this capital structure, now we are going to liquidate that. We are going to make an attempt to restore prosperity by an inflation of the currency and a cheapening of the dollar, but if we continue the policy of carrying these corpses of capital structures around with us, with the tremendous overhead charges, the remedy, through inflation, will be temporary and will be a bitter illusion, because these industries having the power to fix prices are fixing prices now in anticipation of a higher price level, ready to take advantage of any advance in price to mulct the consumer through overhead charges of the finished products in steel and cement and lumber and transportation. Unless something is done, in my humble opinion, to change the economic policies affecting the capital structures not only of transportation but of the great productive, fundamental industries of the country, we are only postponing the inevitable collapse that is bound to come. We cannot travel in circles, with artificial remedies, putting artificial policies into practice, when the fundamentals of the overhead fixed charges are the capital debts and structures, and the power of fixing the prices of the necessities of life through lack of enforcement of the antitrust acts, as, for instance, in industries producing steel, power and light, cement, and so forth. The great mass of the public will continue to be mulcted and purchasing power will not return, and the house of cards will collapse, as it did in 1929.

Mr. BONE. Mr. President, will the Senator yield?

Mr. SHIPSTEAD. I yield.

Mr. BONE. Would the Senator suggest that, either by this measure or by some subsequent measure, the railroads be required to amortize, from their earnings, some definite

portion of their funded debt; and if that were done, would it not be necessary also to circumscribe their right to issue stock? Then again a further problem intrudes itself, as I look at this whole question of establishing a rate base and setting up a rate structure. If, as the Senator says, these railroads are not capitalized to an extent equal to their rate base, then it is going to be very difficult to get at the thing by merely compelling them to amortize a part of their capital structure represented by funded debt, because, if they are permitted to pay interest and dividends on their rate base in excess of their capitalization, society can get no relief from that. I was wondering what the Senator's idea on that subject is.

Mr. SHIPSTEAD. Capitalization is more than the rate base.

Mr. BONE. I misunderstood the Senator. I understood the capitalization was less than the rate base.

Mr. SHIPSTEAD. No; it is \$10,000,000,000 more. I think it is possibly 20 years too late to expect to get any reduction in the capital structure with the railroads in the hands of private corporations. I do not think there is any remedy except for the Government to take them over, under condemnation proceedings, pay the holders a fair price on whatever they may be worth but not pay again for the railroad locomotives and cars that were bought and worn out 30 or 40 years ago and are still in this capital structure. I do not think that the railroads can charge a rate high enough to yield a return. If they do, in my opinion the people will not be able to afford to use the railroads, and they cannot get the business.

Mr. BONE. There have been many years when many of the railroads paid a reasonable return on all the outstanding stock.

Mr. SHIPSTEAD. Oh, yes; but the capital structure has never been so heavy as it is now.

Mr. BONE. The Senator is fully aware of the fact, I know, that one of the arguments of the private utilities is that the amount of outstanding bonds and stocks bears no relation whatever to the valuation upon which they predicate earnings. Nevertheless, they have issued almost invariably, and frequently, more stock and bonds than the rate base established by regulatory bodies of one kind or another. I spoke of that a few days ago on the floor of the Senate in describing the White Salmon affair out in the State of Washington, where ten and a half million dollars in securities were issued against a bare water right which represented not a dollar of investment, and yet those securities were outstanding for years, and the company was paying 10 or 12 percent interest on them. Yet we have a splendid system of State regulation out there, but it did not regulate, and we cannot regulate these private utilities.

Mr. SHIPSTEAD. I am aware that the question of capital issues has not, as a rule, been taken into consideration for rate-making purposes. However, under this bill if we are to base rates on the cost of production and service we have got to take into account the interest paid on capital structure. It is part of the cost of service. The question to determine is how much of it is legitimate; how much, in justice, right, and equity, should the public be charged upon properties that carry in them so much dead weight that has been paid for time and time again?

During the last 20 years the interest and dividends paid by the railroad companies to the stockholders and the bondholders are in excess of \$16,000,000,000; this is more than was paid for the plant, according to the valuation fixed by the Interstate Commerce Commission. How many times the American people paid for the plant prior to 20 years ago we do not know.

Mr. BONE. Mr. President, can the Senator inform us whether they are carrying in that valuation the value of land grants?

Mr. SHIPSTEAD. They are carrying everything.

Mr. BONE. In other words, they capitalize all these gifts, and the American people are paying interest and dividends

on the things they have given the railroad. That is right, is it?

Mr. SHIPSTEAD. Certainly.

Mr. BORAH. Mr. President, is the Senator sure about their including the land grants? I am not disputing it; I simply ask for information.

Mr. SHIPSTEAD. Some of the lands that were sold have been distributed in dividends. Take, for instance, the lands that were obtained free for rights of way and for terminals; it must be remembered that to a large extent terminals and rights of way were obtained during an early period in the country, when people were anxious to have railroads and they gave them the rights of way and they gave them the terminals for nothing, but, of course, they are in the capitalization; it is all in there; and the unearned increment, as the value of those lands has increased, has been included.

Mr. BORAH. Have the public-land grants been incorporated in the capitalization?

Mr. SHIPSTEAD. That is my information—those that have not as a result of sale been distributed as dividends. For instance, a railroad got a large land grant which it sold to settlers, and so forth. The Northern Pacific has a great holding company possessing farm lands, mineral lands, timber lands. It is called the "Northern Holding Co.," or something like that.

Mr. BONE. Prof. Benjamin Andrews described all that.

Mr. SHIPSTEAD. And the company has earnings from that source; the holding company has paid dividends to the Northern Pacific; and I think the same thing is true of the Burlington.

In 1920, when the railroads were returned to their owners after Federal control, the class I corporations owned 235,233 miles of main lines and branches. They had sold to the public seven billions of stock and they had issued bonds and other interest-bearing obligations amounting to ten more billions of dollars.

Everything available had been capitalized, including one billion representing the value of the aids, gifts, grants, and donations received from a generous public. In this aggregate there was also capitalized another billion, which represented no property at all, but was a compact of pure losses through improvident financing, building, and operation. That is included in one of the items I read this morning and embraces such things as reorganization expenses, receivers' fees, and so forth, which are in the capital structure.

Even then the aggregate of stocks and debts were determined, through the careful valuation of the Interstate Commerce Commission, to be some five and one half billions in excess of the cost of reproducing everything the corporations owned. That was at the end of the period of valuation in 1918.

The Interstate Commerce Commission, figuring all these things in, said that the railroads had capitalized and issued bonds for five and a half billion dollars more than the valuation they found upon their property, and since then, I think, they have increased their capital structure without appreciably increasing any railroad mileage by \$4,150,000,000, in round numbers.

In January 1931, with no appreciable increase in productive mileage, stocks had increased to nine and one half billions and debts to twelve and one half billions.

The basis of the major portion of this mounting structure of shares and debts is the value of the private highway and the improvements on it. Technically this is termed the "permanent way and structures." The provision of the vehicles, the motive power, and equipment have always represented but a comparatively minor part of the total investment.

Substantially all of this railroad mileage is now more than 30 years old. Most of it is twice or three times that age. Yet none of this investment in permanent way and structures has ever been written down or off. Indeed, under corporate ownership there is no incentive to do so, for rail-

road finance has seen to it that rates shall be regulated and that the rate base shall be the value of the property, not the value of the service. Reduction in investment through charges for depreciation and obsolescence means a reduction in the basis upon which profits are computed. These items are never written off.

The public is today paying rates which are calculated to earn a profit, for example, on the present value of 17,000,000 acres of land donated to the corporations 60 or 70 or 100 years ago. This item alone was valued at three hundred and eighty-six millions before 1920 and has risen substantially since. The proceeds of another 135,000,000 acres granted free to the corporations and sold to the public for another three hundred and seventy-five millions have also been partially capitalized and partially distributed in dividends. Every improvement which has since been put on this land has likewise been capitalized. That reference is to the rights-of-way terminals, and lands used by the carrier corporations.

The public has been paying this profit on this capitalization year by year, in the form of interest and dividends, ever since these private highways began to function, and there seems to be no means of escaping this theory of fair charges so long as these essentially public highways remain in corporate hands.

Since the commencement of the twentieth century the development of the internal-combustion engine, the immense increase in the supplies of gasoline at low price, and the rapid construction of a system of connected hard-surfaced highways some three times the aggregate of the railroad mileage, and the gradual but steady improvement of our great system of inland and coastwise waterways, have brought about something resembling a revolution in our domestic means of transportation. It has greatly reduced the railroad revenues from passenger travel and has begun to make inroads in the returns from freight traffic. There is ample evidence that this change has come about because the highways and the waterways provide a means of travel and transport cheaper or more convenient than that furnished by the railroads.

There is a growing cleavage between the prices at which transportation can be purchased from the railroads and upon the public highways and waterways, and there undoubtedly has been a substantial growth in the travel furnished and traffic moved by these auxiliary services. This slippage is not, however, the principal cause of the present low state to which railroad revenues have fallen. The purpose of all our railroad legislation was to protect the public against the piling of burden upon burden to be used as a basis for gouging the public; it was to protect the public, to protect labor, the investor, and to continue the operation of the railroad plant; but in view of present conditions, I think we have failed in achieving the justifiable objects which the legislation intended or we were told were intended to be accomplished by it. This situation is becoming a public menace.

The plight of the railroad is bad, although not nearly so bad as is claimed. The people who own railroad securities, almost unanimously, have raised a Babel of confusion and of tongues, all crying about the terrible condition of the railroads, and claim that the only remedy is to charge higher rates and lay off more men. I want to call the attention of the Senate to something that I think is really the matter with the railroads, so that we may direct our attention to that part of the trouble that is afflicting the railroads.

Those who claim to be the saviors of the railroads say there is no other remedy than to increase rates and to lay off more men and to reduce service to the public.

Mr. BORAH. Mr. President, the Senator referred a few moments ago to the antitrust laws. Is it the purpose of the Senator before he takes his seat to discuss the suspension of the antitrust laws proposed by this bill?

Mr. SHIPSTEAD. No; I had not intended to speak as long as I have. I wanted to talk about the capital structure

of the railroads. As I have informed the Senate—I do not know whether the Senator was here—I did not see this bill until yesterday morning; what little I know about it I gathered from the debate yesterday and from the little time I have had to look into it since last night. There may be other features that are more worthy of discussion than this, but I wanted to discuss this feature.

Mr. BORAH. I do not think other features are more worthy of discussion, but I should like somebody to explain why the provision to which I have referred is in this bill.

Mr. BLACK. Mr. President, will the Senator yield?

Mr. SHIPSTEAD. Yes.

Mr. BLACK. The Senator has just referred to the suggestion that it is necessary to lay off railroad employees.

Mr. SHIPSTEAD. That is not my contention.

Mr. BLACK. I understand that, but that argument has been made and that carries with it the idea on the part of those who believe in it that the railroads are suffering from overpayments to their men. If the Senator does not object, I should like to insert in the RECORD at this place two or three figures on that proposition.

Mr. SHIPSTEAD. I yield.

Mr. BLACK. The labor cost of operation per 1,000 ton-miles in 1920 was eighty-two ten thousandths of a cent; in 1929 it dropped to sixty ten thousandths; in 1932 it dropped still further to fifty-nine ten thousandths, showing that the labor cost has been going down. But, in addition to that, in 1920 the ratio of pay rolls to total income of the railroads was 47.3 and in 1931 it was the same, but in 1920 the ratio of fixed charges to which the Senator is referring, and dividends to the total income was 11.05, while in 1932 it had risen to 22.2. In other words, the fixed charges had doubled while the ratio of the pay rolls to the total income had not increased at all, refuting the argument which the Senator states has been made with reference to the wages dragging down the railroads. As a matter of fact, the number of employees has been steadily decreasing until now it is less than a million.

Mr. SHIPSTEAD. That is correct.

Mr. BLACK. And the cost of the wages has been steadily decreasing, but the amount of money devoted to capital investment, which as the Senator shows has not greatly increased, has been steadily mounting.

Mr. SHIPSTEAD. There has been an increase of \$4,150,000,000 in the capital structure since the date of valuation in 1918 up to 1929, I think.

Mr. President, in reference to what the Senator from Idaho [Mr. BORAH] said about the Sherman antitrust law, I am not able to discuss that law now except to say it has not been enforced, but I am glad the Senator mentioned it, because it shows the importance of earnestly considering legislation and of not being too much in a hurry to pass it. If we have an extra day or an extra 2 days we may know where we are. I am convinced that I am right in my discussion of this feature of the bill and I trust I have convinced the Senate. I want to hear discussion by Senators of other phases of the bill, for I do not think we should hastily pass legislation of this importance, as we have been passing other legislation, later on to discover that it is something entirely different from what we thought it was. I am not saying that it is, but to me it appears that it is entirely a different proposition from what I had been led to believe. I do not mean to say that anyone has been trying to deceive me or the Senate, but when it comes to helping the railroads it is a good deal like helping anybody else; it is a question of whether we help somebody to die or help somebody to live.

Under any defensible system of corporation finance, most of the plant having become obsolete and having been paid for, it should have been taken out of the capital structure long ago.

The better alternative, it would seem, is to proceed now to bring the charging system of the railroads, as rapidly as possible, into conformity with the needs of a settled state

and get away from the old pioneer method of financing and building railroads. There cannot be much hope of reducing that capital structure so long as the railroads are in the hands of private corporations. That I think has already been demonstrated after 12 years' sad experience in trying by legislation to make strong corporations help carry the weak ones. That was the purpose of the Transportation Act, to effect consolidations, so that the strong railroads might carry the weak. The money was collected, but the railroads did not turn over that money, and now, under this bill, I understand we are going to pay it back to them.

Mr. LONG. Mr. President—

The PRESIDING OFFICER (Mr. LOGAN in the chair). Does the Senator from Minnesota yield to the Senator from Louisiana?

Mr. SHIPSTEAD. I yield.

Mr. LONG. I was a member of the committee. I understood the way the money was to be disbursed by the Interstate Commerce Commission to the short lines. That is the one difficulty I have with the bill now. Apparently the money is not going to the short lines but is going back to the railroads, and the short lines will fare badly under any sort of amalgamation that takes place among the big railroads. Has an amendment been offered to strike out that provision with reference to the disbursement of the money?

Mr. SHIPSTEAD. That I cannot tell the Senator. Under the Transportation Act provisions were made for consolidations of railroads. The Penn Road Co. was formed and sold \$150,000,000 worth of stock to the public at \$15 a share. They took that money obtained from the public and invested it in the stocks of other roads, paying as high as \$120 a share. I understand the stock of the Penn Road Co. is now selling around \$1.50 or \$2 a share. That is an instance of the unfortunate experience we have had in the consolidation of railroads under the regulation of the Transportation Act. Somebody got that \$150,000,000. Whether it did the Pennsylvania Railroad any good we do not know, but they got the money from the public.

How infinitely more difficult it must be to enforce by law a system through which the capital structure will be written down from year to year until only the investment in equipment remains. Yet that is the only sound theory upon which the Nation can proceed. It seems obvious that the business of a settled country cannot go on paying for these roads and buildings and bridges and permanent improvements over and over again, as we have been doing for a hundred years. While we pay for them over and over again we are all the time asked to pay more. Look at the increase of \$4,151,000,000 in the capitalization from the time of the valuation up until 1931.

We can never have a defensible system of railroad finance, we can never hope to have railroad rates based upon the cost of service so long as the railroad properties remain in corporate hands. The incentive to accomplish these public objectives is utterly lacking so long as the properties are owned by corporations dedicated to earning an annual profit on these ancient properties which have been several times paid for, as well as upon the service which they perform.

We will make little progress toward the elimination of competitive waste under private corporate ownership of the railroads, for the competitive spirit permeates the whole body of railroad finance and management and is to a large extent the cause of the terrific waste in the transportation system.

We will begin to make real progress toward a satisfactory railroad service at fair rates and wages when we have learned that there are several ways by which we can have Government ownership with private operation of our railroads. Permanent Government ownership of the permanent way and structures seems to offer the only means by which the plant can ever be made to operate solely in the public interest. If, having become the owner of the property, Congress decides to lease the equipment and motive power to corporations for regional operation, there are precedents upon which such leases can be drawn. The public interest can be thoroughly safeguarded against extortion in the framing of such leases and we will doubtless find that the better part of individual initiative can be preserved under such circumstances.

In Germany the Government owns the railroads and finances all kinds of competition for the railroads. I asked a member of the German Government how they could afford to finance competition for the railroads in the form of waterways and highways, and he said they would bring business to the railroads. Ships that come up the rivers and canals cannot carry the freight inland, and so the railroads have their business increased. They get business for the railroads by encouraging competition; that is, they carry freight that would not otherwise move.

Mr. President, the time of the Senate that I have taken has been taken for the purpose of expressing my conviction that we are approaching the question of transportation by railroads from the wrong angle. What is true of the railroads, as I have said, is in my opinion also true of the great fundamental producing industries of the country—the overhead deadweight of capital. Until that is taken care of I do not think we can come back to a healthy economical operation of business and trade and transportation.

So far as the railroads are concerned, I do not mean to overemphasize their condition and what ought to be done, because they are only a part of our economic life. I sometimes think we approach these things too often from a local point of view and much like the six blind men of Hindustan who were asked to describe an elephant. One grabbed his tail and said, "He is like a snake." The other felt of his trunk and said, "He is like a rope." Another got hold of his leg and said, "He is like a tree." Still another got hold of his stomach and said, "He is like a house." I think we have been too blind in studying this white elephant we have on our hands in the form of an overcapitalized industrial and transportation structure.

Mr. President, I ask unanimous consent to have printed in the RECORD a table showing the capital structure of every railroad in the United States, copied from public documents of the Interstate Commerce Commission.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Interstate Commerce Commission valuation of railroads

I. C. C. valuation		Name of road	Date of valuation	Track mileage		Capital structure				
Volume	Page			First main line	Total mileage	Stock outstanding	Stock in treasury	Bonds outstanding	Bonds in treasury	Floating indebtedness
HILL LINES SYSTEM										
134	56	C., B. & Q.	1917	9,080.60	13,199.8	\$111,739,100		\$176,041,081	\$37,735,300	
134	581	C. & S.	1918	975.20	1,320.5	50,233,000		52,611,616		
134	733	Ft. W. & D. C.	1918	455.60	591.6	9,268,800	\$131,200	10,038,900		
134	778	W. V.	1918	255.90	289.3	1,228,500		4,235,337		
134	832	Q. O. & K. C.	1917	244.30	280.0	6,000,000		401,793		
133	143	G. N.	1915	7,252.70	9,603.6	257,433,913		365,020,491		
25	441	N. P.	1917	6,533.39	9,829.3	248,960,000		424,281,885		\$38,208
Docket	896	S. P. & S.		629.30	671.5	40,000,000		84,587,613		
149	317	T. & B. V.	1916	302.90	371.1	304,000		17,227,645		
Total				25,629.80	36,156.6	725,165,913	131,200	1,134,446,363	37,735,300	38,208

Interstate Commerce Commission valuation of railroads—Continued

I.C.C. valuation		Name of road	Date of valuation	Track mileage		Capital structure				
Volume	Page			First main line	Total mileage	Stock outstanding	Stock in treasury	Bonds outstanding	Bonds in treasury	Floating indebtedness
SANTA FE SYSTEM										
127	101	A. T. & S. F.	1916	8,537.10	12,594.5	\$396,588,100	\$70,300	\$315,547,381	\$2,324,000	-----
127	660	G. C. & S. F.	1916	1,909.60	2,520.1	2,022,950	-----	61,329,447	-----	-----
127	777	P. & S. F.	1916	665.10	822.3	1,295,700	-----	7,919,185	-----	-----
127	807	P. & N. T.	1916	-----	-----	710,000	-----	13,784,114	-----	-----
127	827	G. C. Ry.	1916	63.80	77.0	1,406,300	-----	642,863	-----	-----
Total				11,175.60	16,024.0	402,023,050	70,300	399,222,991	2,324,000	-----
NEW YORK CENTRAL SYSTEM										
27	80	N. Y. C.	1917	6,317.70	15,043.5	360,203,275	-----	846,016,215	312,000	\$21,916,071
28	760	P. & L. E.	1916	197.10	1,043.0	34,459,650	-----	33,751,364	-----	75,000
28	479	D. T.	1918	18.00	73.8	2,000,000	-----	283,408	-----	-----
28	90	C. C. C. & St. L.	1915	2,221.60	3,946.7	74,923,947	-----	125,171,034	-----	8,029,310
28	607	C. N.	1918	206.30	267.7	3,000,000	-----	1,344,000	-----	-----
28	271	Mich. Cent.	1918	1,375.10	2,948.7	24,353,400	1,600	71,831,100	14,042,000	19,918,970
39	50	D. L. & W.	1918	1,022.40	2,717.2	93,684,837	57,617	72,863,490	217,400	24,000
75	443	E. & I.	1915	133.80	169.3	2,000,000	-----	2,523,632	647,000	-----
130	209	Rutland	1917	409.80	541.4	9,644,300	102,700	11,215,297	528,000	-----
Total				11,901.60	27,651.3	604,289,410	161,917	1,165,005,631	15,746,400	49,963,351
B. & O. SYSTEM										
Docket 1068		B. & O.	1918	4,955.40	9,857.2	260,351,061	-----	650,845,101	-----	-----
Docket 1009		S. I. R. T.	1918	23.90	109.4	1,550,000	-----	5,612,472	-----	-----
32	24	W. M.	1919	691.80	1,128.6	78,639,798	-----	62,994,042	-----	1,539,800
32	280	P. & R.	1918	1,587.50	3,668.3	98,020,787	-----	91,419,447	2,900	26,335
149	723	C. R. R. of N.J.	1918	638.70	1,798.0	33,315,509	-----	54,164,088	3,567,000	5,500,000
Docket 851		C. & A.	1919	1,008.80	1,678.4	50,226,000	-----	85,493,997	-----	-----
31	404	B. R. & P.	1917	471.10	987.2	20,795,000	-----	31,900,914	1,172,000	-----
36	215	B. & S.	1919	238.70	312.9	7,162,700	-----	6,029,219	950,300	200,000
Total				9,615.90	19,540.0	550,060,846	-----	997,549,281	5,692,200	7,266,135
CANADIAN PACIFIC										
108	374	C. P.	1917	178.00	219.4	2,273,550	-----	5,042,429	-----	-----
36	163	D. S. S. & A.	1916	586.60	763.6	22,000,000	-----	24,300,613	-----	-----
143	596	M. St. P. & S. S. M.	1916	4,242.50	5,374.7	68,279,818	3,034,250	132,664,428	5,848,000	879,504
110	174	S. I.	1917	160.80	191.0	4,744,000	-----	5,883,421	-----	-----
Total				5,167.90	6,548.8	97,297,368	3,034,250	167,890,892	5,848,000	879,504
PENNSYLVANIA SYSTEM										
22	150	P. R. R.	1918	7,379.30	17,956.9	876,859,762	209,294	669,906,970	51,486,751	115,642,177
22	814	W. J. & S.	1916	339.70	619.9	9,747,305	-----	7,220,300	-----	1,338,000
23	39	Monon. Ry.	1916	106.40	162.6	5,740,000	-----	3,108,413	-----	3,087,209
23	706	G. R. & I.	1917	562.40	843.3	8,096,487	-----	15,292,022	-----	146,496
36	23	L. I. R. R.	1915	393.90	894.4	14,076,150	-----	81,192,714	829,195	-----
34	23	L. V.	1917	1,409.60	3,385.2	97,659,598	7,975,650	152,670,304	21,773,000	-----
141	124	D. T. & I.	1918	416.40	569.2	12,789,998	10,002	10,237,417	564,132	413,412
36	292	P. & W. V.	1917	86.00	156.1	40,680,000	-----	7,810,532	-----	334,250
31	743	W. & L. E.	1918	542.70	999.3	57,998,876	-----	24,730,639	-----	2,200,000
26	593	N. Y. Conn.	1918	9.00	37.5	3,000,000	-----	24,450,000	-----	1,500,000
Docket 897		Wabash	1919	2,049.20	3,318.8	140,283,999	-----	64,415,450	-----	-----
84	171	Ann. Arb.	1915	293.00	420.5	7,300,000	-----	8,212,608	1,798,235	100,000
26	285	N. & W.	1916	2,053.60	3,966.2	141,199,200	9,800	95,599,500	1,709,000	-----
Total				15,641.00	33,329.9	1,415,431,375	8,204,746	1,165,014,067	78,160,284	124,761,544
VAN SWERINGEN SYSTEM										
Docket 1006		M. P.	1918	6,849.90	9,297.5	154,639,600	-----	1,226,659,620	-----	-----
29	675	N. O. T. & M.	1914	1,036.54	1,398.1	5,369,000	-----	62,735,942	-----	-----
29	525	T. & P.	1916	1,900.60	2,515.9	28,955,110	-----	59,945,505	-----	3,561,880
149	597	I. G. N.	1917	1,107.70	1,428.7	4,922,000	-----	33,380,583	-----	2,844
141	239	S. A. U. & G.	1919	315.60	340.7	280,000	-----	4,649,791	-----	11,791
24	494	C. & O.	1916	2,157.80	3,803.0	72,058,200	11,000	194,882,821	19,000	95,000
29	343	H. V.	1917	340.90	725.1	11,414,500	500	25,934,037	-----	550,000
130	520	P. M.	1915	1,834.30	2,637.9	26,679,210	2,172,790	83,429,178	4,953,000	1,381,093
31	87	C. & E. I.	1915	997.40	1,868.6	18,288,200	-----	68,880,150	-----	5,101,113
25	378	D. & T. S. L.	1917	47.00	111.0	1,428,000	-----	3,000,000	-----	-----
33	45	Erie.	1916	2,046.50	4,647.1	217,421,649	-----	283,447,377	-----	16,378,558
33	509	N. Y. S. & W.	1916	133.80	254.8	26,171,533	-----	13,441,376	-----	350,000
33	597	N. J. & N. Y.	1916	-----	-----	2,301,100	-----	1,145,900	-----	-----
33	632	C. & E.	1916	251.70	733.1	100,000	-----	33,670,547	-----	-----
38	368	N. Y. C. & St. L.	1918	1,388.20	2,103.5	59,395,200	15,000	51,390,228	-----	1,379,824
Total				20,457.80	31,864.8	639,423,293	2,199,290	1,146,596,117	4,972,000	28,811,603
SOUTHERN RAILWAY SYSTEM										
37	74	S. Ry.	1916	7,802.60	11,645.4	236,985,303	10,000	416,994,562	2,158	6,464,554
130	602	N. A.	1916	105.80	157.9	1,943,300	56,700	2,344,768	50,000	694,768
106	164	G. S. & F.	1915	391.70	497.1	3,768,000	-----	6,406,000	1,312,000	169,265
143	488	M. & O.	1915	936.90	1,295.3	6,316,800	-----	32,572,172	-----	1,455,035
Total				9,236.90	13,596.6	249,013,403	66,700	458,317,502	1,364,158	8,783,623
CANADIAN NATIONAL										
30	300	C. V.	1917	407.10	566.6	4,675,000	-----	13,147,038	1,018,000	8,083,806
141	512	D. W. & P.	1919	169.00	224.1	8,100,000	-----	12,447,863	1,216,910	599,555
143	27	G. T. W. Ry.	1917	1,168.40	2,078.8	21,980,750	-----	50,176,360	-----	-----
Total				1,744.50	2,869.6	34,755,750	-----	75,771,261	2,234,910	8,683,361
ATLANTIC COAST LINE										
38	581	A. C. L. R. R.	1917	4,716.70	6,605.0	73,329,300	-----	149,158,623	-----	200,000
31	584	N. C. & St. L.	1916	1,234.20	1,796.7	16,000,000	-----	11,032,325	4,000	125,000
39	382	L. & N.	1917	4,853.90	7,365.1	79,725,680	-----	173,874,394	33,764,340	-----
29	154	A. & W. P.	1918	90.80	128.6	2,463,600	800	-----	-----	-----
121	744	C. & W. C.	1915	340.80	424.4	1,200,000	-----	5,700,000	-----	-----
29	97	W. Ry. of A.	1918	130.10	184.9	3,000,000	-----	1,543,000	-----	-----
Total				11,366.60	16,544.7	175,718,580	800	341,309,142	33,768,340	325,000

Footnotes at end of table.

Interstate Commerce Commission valuation of railroads—Continued

I.C.C. valuation		Name of road	Date of valuation	Track mileage		Capital structure				
Volume	Page			First main line	Total mileage	Stock outstanding	Stock in treasury	Bonds outstanding	Bonds in treasury	Floating indebtedness
SOUTHERN PACIFIC										
Docket 1008		S. P.	1918	6,932.90	10,204.8	\$550,703,631		\$682,076,441	\$3,331,000	
36	381	T. & N. O.	1918	3,566.10	4,944.3	65,210,100		89,619,763		
149	404	St. L. S. W.	1915	735.30	1,017.6	37,249,750	\$250,250	61,358,755	30,637,833	\$1,621,920
149	404	St. L. S. W. of T.	1915	806.70	1,032.0	2,898,300		28,390,637		
Docket 1064		S. D. & A.	1921	146.00	181.7	7,826,800		14,153,548		
Docket 931		N. W. P.	1916	508.40	669.2	35,044,000	27,775,000			
Total				12,635.40	18,049.6	698,932,581	28,025,250	875,599,144	33,968,833	1,621,920
ARTHUR CURTISS JAMES CO.										
29	281	W. P.	1914	938.90	1,117.7	75,000,000		97,720,913		
119	483	D. & S. L.	1919	255.20	307.8	583,515	1,166,485	13,237,143	794,851	51,205
26	766	D. & R. G.	1919	2,632.00	3,713.7	89,945,570		158,710,816		
Total				3,816.60	5,139.1	165,529,085	1,166,485	269,668,871	794,851	51,205
GULF, MOBILE, & NORTHERN										
125	769	G., M. & N.	1917	401.70	482.8	22,166,900		33,000		
133	833	N. O. G. N.	1916	242.90	305.4	7,500,000		8,423,600		
Total				644.60	788.2	29,666,900		8,456,600		
ILLINOIS CENTRAL										
Docket 387		I. C. R. R.	1915	4,626.10	7,585.3	138,343,439		274,575,748		
106	118	G. & S. I.	1916	308.40	414.9	7,000,000		4,700,000	16,000	50,000
Docket 349		Y. & M. V.	1915	1,386.90	1,799.0	6,647,600	157,300	49,783,653	291,000	
130	54	C. of Ga.	1915	1,909.80	2,531.3	25,649,900		37,295,350		3,665,141
Total				8,231.20	12,330.5	178,640,939	157,300	366,354,751	307,000	3,715,141
CHICAGO & NORTH WESTERN										
137	34	C. & N. W.	1917	8,486.50	12,982.7	170,775,489		216,644,258		
137	463	C., St. P., M. & O.	1917	1,669.00	2,535.3	29,816,067	4,231,181	41,887,000	634	
Total				10,155.50	15,518.0	200,591,526	4,231,581	258,031,258	634	
UNION PACIFIC										
Docket 1060		U. P.	1919	3,607.40	6,021.0	321,835,100		212,593,150		
Docket 1007		O. S. L.	1916	2,284.30	3,021.7	100,000,000		118,581,174	3,587,000	
Docket 329		O. W. R. R. & Nav.	1916	1,924.40	2,442.4	50,000,000		102,840,671	253,000	
Docket 962		S. J. & G. I.	1919	258.00	325.0	13,599,400	600	5,188,500		
75	601	S. P. La. & S. L.	1914	683.50	1,266.9	25,000,000		56,274,000	350,000	
Total				8,757.60	13,077.0	510,434,500	600	495,477,495	4,190,000	
ST. LOUIS-SAN FRANCISCO										
Docket 400		St. L. S. F.	1918	4,730.30	6,333.5	100,776,026		262,574,931		
Docket 408		St. L. S. F. of T.	1918	89.00	127.6	804,000		1,452,161		
Docket 358		Ft. W. & R. G.	1918	221.70	253.2	2,928,300		5,145,998		
24	797b	C. R. I. & P.	1915	7,218.60	9,761.7	243,471,223	132,800	357,640,482	69,240,838	4,100,000
24	797	C. R. I. & G.	1915			469,000		16,779,373		
Total				12,260.50	16,476.0	343,448,549	132,800	643,592,945	69,240,838	4,100,000
NEW ENGLAND LINES										
25	217	N. Y. O. & W.	1916	513.40	936.0	61,332,567		33,643,061		
30	43	N. Y., N. H. & H.	1915	1,966.20	4,401.1	192,271,300	4,000	248,764,047	2,463,350	45,142,000
30	555	B. & M.	1914	2,389.70	4,421.1	109,171,690	1,448,600	100,026,569	8,000	24,310,000
20	268	M. C.	1916	1,162.70	1,735.2	26,733,411	2,888,943	31,882,672	943,000	2,487,000
Total				6,032.00	11,493.4	389,508,968	4,341,543	414,315,749	3,414,350	71,939,000
Docket 1072		C. M. St. P. & P.	1918	9,954.50	14,553.1	233,251,800		380,738,255	118,134,900	
135	580	M. O. & G.	1919	314.40	378.2	19,029,200		17,687,134	300,000	412,042
135	580	M. O. & G. of T.				25,000		75,000		
Total				314.40	378.2	19,054,200		17,762,134	300,000	412,042
75	274	K. C. S.	1914	807.50	1,165.8	53,207,700	40,100	58,153,879		1,933,473
84	145	T. & Ft. S.	1914	79.10	137.9	100,000		5,632,791		41,791
Total				886.60	1,303.7	53,307,700	40,100	63,786,670		1,975,264
34	365	M. K. T.	1918	1,626.40	2,335.9	77,388,257	17,043	103,091,710	40,857,346	1,931,690
34	650	W. F. & N. W.	1918	328.40	371.2	2,000,000		7,013,792		
34	484	M. K. T. of T.	1918	1,623.70	2,178.7	14,452,900		70,074,449		
Total				3,578.50	4,885.8	93,841,157	17,043	180,170,951	40,857,346	1,931,690
132	693	L. & A.	1917	288.10	361.1	5,000,000		4,364,000		
106	48	L. R. & N.	1917	331.20	438.3	8,131,000		10,546,328		
Total				619.30	799.4	13,131,000		14,910,328		
25	313	C. I. & L.	1915	583.30	854.3	15,604,000		20,478,742		962,000
25	42	A. C. & Y.	1918	7.50	20.7	1,500,000		1,500,000		
31	684	P. & S.	1919	101.60	151.8	15,000,000		13,433,005		
26	6	P. S. & N.	1919	200.20	274.0	15,270,000		17,278,600		511,375
137	708	L. & H. R.	1918	73.20	131.1	1,719,500	500	2,687,000		
35	388	S. A. L.	1918	4,113.70	5,245.2	70,305,800		138,988,131	26,000	3,067,433
141	654	V. Ry.	1916	491.20	725.4	59,728,500		33,437,000		
135	101	T. C.	1918	293.20	368.9	9,000,000		14,585,454	147,000	417,393
84	258	Sof. M.	1915	237.50	297.0	50,000		836,149		
84	51	F. E. C.	1916	739.20	922.9	10,625,000		37,878,503		2,940,381
143	325	G. & F.	1918	320.00	361.6	8,705,000	55,000	8,613,409	630,000	315,057
31	257	R. F. & P.	1916	115.40	379.1	9,718,400		7,180,000		160,000
137	788	M. & St. L.	1917	1,554.50	1,926.5	25,792,600		45,501,700		474,000
141	403	M. V.	1919	340.00	425.9	8,992,350	7,250	11,749,150	257,350	201,593
114	63	G. B. & W.	1916	296.40	352.0	7,604,450		8,433,000		
35	164	C. G. W.	1916	1,403.00	1,984.9	127,812,967		45,169,862		100,000

Interstate Commerce Commission valuation of railroads—Continued

I.C.C. valuation		Name of road	Date of valuation	Track mileage		Capital structure				
Volume	Page			First main line	Total mileage	Stock outstanding	Stock in treasury	Bonds outstanding	Bonds in treasury	Floating indebtedness
NEW ENGLAND LINES—continued										
125	646	M. & N. A.	1919	335.20	390.4	\$8,340,000		\$10,334,000	\$63,750	\$61,883
97	172	B. & A.	1916	271.80	873.8	4,118,600		25,771,000		
143	858	Ft. S. & W.	1919	197.00	232.3	5,000,000	\$2,500,000	6,475,785	760,000	370,000
114	681	T. M.	1919	162.10	191.1	2,500,000		2,640,882		
121	553	D. & M.	1917	723.90	978.6	2,950,000		2,300,000	950,000	
110	336	U. & D.	1916	128.90	162.9	1,900,000		3,000,000		
135	300	Miss. Cen.	1918	162.70	187.8	3,940,000		3,629,000	471,000	
116	619	D. & H.	1916	788.00	1,716.0	62,032,600		400	79,583,101	2,703,534
CONTROLLED BY INDUSTRIES										
84	632	E. J. & E.	1914		436.0	10,000,000		10,000,000	182,000	
26	439	D. M. & N.	1919	286.60	686.9	5,112,500		13,079,717	6,757,000	
34	773	B. & L. E.	1916	204.90	556.1	12,700,000		23,693,042		
Total				491.50	1,679.0	27,812,500		46,772,759	6,939,000	
84	710	N. S.	1914	902.20	1,067.8	17,867,100		17,788,643	4,463,000	
141	49	M. Conn.	1919	7.30	40.2	1,230,000		1,576,171		42,500
116	10	L. S. & I.	1916	33.20	70.6	1,000,000		1,201,000		132,000
141	561	U. Ry.	1919	47.90	76.3	3,065,200		4,500,000		
106	451	B. & G.	1916	31.40	60.6	6,000,000				
84	525	N. N.	1917	166.00	193.3	2,000,000		100,000		
130	333	I. T.	1919	15.50	33.5	500,000		907,931		
33	689	Montour	1917	48.50	71.2	4,250,000		2,710,000		
119	216	C. & I.M.	1916	25.70	38.9	1,000,000		3,026,878		
35	38	L. & N.E.	1919	182.80	302.0	6,445,000		7,379,238		838,000
Grand total				215,476.00	341,704.4	8,376,274,958	54,544,655	11,667,683,891	473,767,044	328,545,745

I.C.C. valuation		Name of road	Commission's valuation					
Volume	Page		Acres of land used	Value of land used	Value of private and public rights	Cost of reproduction new	Cost of reproduction new, less depreciation	Final value for rate making
HILL LINES SYSTEM								
134	56	C., B. & Q.	162,825	\$73,249,219		\$493,323,529	\$391,508,415	\$499,132,255
134	581	C. & S.	21,739	7,433,724		37,918,687	27,537,725	38,731,522
134	733	Ft. W. & D. C.	9,568	3,033,117		19,429,572	14,644,752	19,156,348
134	778	W. V.	3,897	364,840		3,732,579	2,836,266	3,402,313
134	832	Q. O. & K. O.	3,229	580,123		6,335,488	4,971,450	5,805,030
133	143	G. N.	147,859	42,793,572	\$628,679	390,525,737	321,618,893	389,284,767
25	441	N. P.	125,914	62,927,778	1,186,440	401,864,758	330,259,428	424,234,443
Docket	896	S. P. & S.	11,203	6,839,366		53,519,470	49,008,599	58,278,033
149	317	T. & B. V.	5,396	500,133	15	10,511,093	8,034,380	9,064,566
Total			491,631	197,721,874	1,815,134	1,417,221,913	1,151,019,923	1,447,089,247
SANTA FE SYSTEM								
127	101	A. T. & S. F.	182,122	51,869,513		488,672,880	394,463,771	486,436,917
127	650	G. C. & S. F.	40,163	10,391,102		67,497,643	55,657,864	71,197,070
127	777	P. & S. F.	14,868	1,294,224		20,291,535	17,581,392	20,360,111
127	827	G. C. Ry.	1,992	6,267		1,245,770	991,344	1,153,500
Total			239,145	63,561,106		577,707,828	468,694,371	579,057,598
NEW YORK CENTRAL SYSTEM								
27	80	N. Y. C.	93,400	285,278,082	6,095,158	964,662,644	772,304,919	1,150,783,356
28	760	P. & L. E.	3,821	16,270,025	110,728	84,997,166	68,900,510	90,287,265
28	479	D. T.	376	2,800,049		1,485,861	1,193,197	4,133,100
28	90	C. C. C. & St. L.	30,279	22,997,537	72,277	168,021,698	133,908,781	169,970,178
28	607	C. N.	1,792	415,112	1,160	8,270,705	6,297,198	7,368,514
28	271	Mich. Cent.	20,666	36,553,830	468,595	137,344,551	103,091,340	155,781,201
39	50	D. L. & W.	17,747	48,599,150	2,263,577	224,824,381	179,725,351	245,134,695
75	443	E. & I.	1,348	179,694	30,979	2,531,238	2,004,856	2,250,291
130	209	Rutland	4,710	1,563,357	6,307	23,598,209	18,281,659	21,353,030
Total			174,200	414,628,834	9,048,781	1,615,736,453	1,290,707,751	1,847,061,681
B. & O. SYSTEM								
Docket	1068	B. & O.	63,604	100,858,421	658,785	560,378,022	437,071,077	579,679,283
Docket	1009	S. I. R. T.	716	8,731,744	12,850	7,977,940	6,023,669	15,216,250
32	24	W. M.	9,252	7,640,655	32,858	75,085,600	62,730,055	74,978,649
32	280	P. & R.	17,286	52,362,523	110,601	225,806,539	169,144,863	234,851,726
149	723	C. R. R. of N.J.	9,297	34,087,072	390,494	125,205,884	91,420,487	132,586,089
Docket	851	C. & A.	14,532	12,783,692	130,312	74,303,387	56,877,128	75,960,936
31	404	B. R. & P.	7,287	4,137,392	24,450	64,747,925	51,984,446	60,735,664
36	215	B. & S.	2,426	236,136	1,090	12,367,158	9,119,118	10,092,805
Total			124,400	220,837,636	1,361,387	1,145,894,455	884,370,843	1,184,101,412
CANADIAN PACIFIC								
108	374	C. P.	2,493	198,150		7,868,569	6,436,696	7,069,079
36	163	D. S. S. & A.	7,307	1,192,156	7,793	19,644,608	15,077,749	17,256,147
143	596	M. St. P. & S. S. M.	72,285	15,130,048	82,730	162,225,332	131,865,879	159,175,551
110	174	S. I.	2,569	431,998		5,304,423	4,512,733	5,330,039
Total			84,655	16,952,383	90,523	196,042,932	157,893,057	188,830,816

Interstate Commerce Commission valuation of railroads—Continued

I.C.C. valuation		Name of road	Commission's valuation					
Volume	Page		Acres of land used	Value of land used	Value of private and public rights	Cost of reproduction new	Cost of reproduction new, less depreciation	Final value for rate making
PENNSYLVANIA SYSTEM								
22	150	P. R.R.	105,821	\$287,271,193	\$6,020,348	\$1,435,184,896	\$1,137,691,031	\$1,552,490,920
29	814	W. J. & S.	4,022	5,542,077	208,672	26,040,958	20,053,089	27,222,864
23	39	Monon. Ry.	1,322	1,491,669		10,660,737	9,437,280	11,630,500
23	708	G. R. & I.	7,629	4,046,342	1,515	22,977,103	17,158,527	22,765,087
36	23	L. I. R.R.	4,411	33,089,422	61,316	67,963,287	54,697,761	92,528,971
34	23	L. V.	20,325	27,029,031	2,532,775	211,420,499	158,875,610	208,708,749
141	124	D. T. & I.	3,708	2,163,728		13,072,833	9,378,296	12,341,312
36	292	P. & W. V.	1,589	4,104,035	14,831	26,699,693	24,028,801	28,757,477
31	743	W. & L. E.	6,220	5,212,630	2,980	44,111,288	35,026,793	43,400,991
26	593	N. Y. Conn.	113	1,475,660		20,507,191	19,943,813	24,500,000
Docket 897		Wabash	27,611	28,086,399	13,301	110,944,791	81,471,687	116,860,747
84	171	Ann. Arb.	3,478	688,076		12,324,932	9,852,793	11,046,455
26	285	N. & W.	28,208	16,543,781	17,804	255,549,748	205,485,582	236,317,954
Total			215,456	416,744,039	8,873,544	2,257,457,956	1,783,137,063	2,388,572,027
VAN SWERINGEN SYSTEM								
Docket 1006		M. P.	96,392	31,621,464	241,273	271,017,807	203,499,053	250,293,365
29	675	N. O. T. & M.	15,147	27,701,799	28,862	29,269,773	22,687,797	28,307,320
29	525	T. & P.	36,268	11,699,264	3,199	68,907,703	50,555,014	66,514,031
149	597	I. G. N.	21,694	6,160,481	61,360	39,736,931	30,306,270	38,996,984
141	239	S. A. U. & G.	3,974	211,332		4,741,361	3,952,693	4,464,309
24	494	C. & O.	29,564	17,674,607	95,482	217,094,395	172,323,824	205,119,048
29	343	H. V.	4,636	2,725,547	21,478	39,213,091	28,987,969	34,488,123
130	520	P. M.	21,945	8,044,070	26,065	68,883,251	52,236,603	68,133,703
31	37	C. & E. I.	14,928	9,540,424	27,759	72,970,705	54,224,859	68,603,844
25	378	D. & T. S. L.	565	571,725	1,875	2,669,009	2,049,554	2,960,000
33	45	Erie	28,602	58,617,364	111,615	278,682,463	210,136,692	288,732,317
33	509	N. Y. S. & W.	1,576	3,040,813	10,033	14,053,186	11,043,029	14,979,331
33	597	N. J. & N. Y.	318	231,544		1,680,981	1,268,001	1,619,500
33	632	C. & E.	4,669	5,931,465	5,156	22,487,135	18,044,253	25,495,764
38	368	N. Y. C. & St. L.	15,741	16,842,418	72,978	77,819,386	60,080,901	82,115,124
Total			296,018	175,614,317	707,133	1,209,227,177	921,396,517	1,178,822,755
SOUTHERN RAILWAY SYSTEM								
37	74	S. Ry.	119,195	66,088,123	1,005,344	478,241,401	383,680,365	475,188,476
130	602	N. A.	1,738	304,255		3,340,346	2,706,187	3,223,000
106	164	G. S. & F.	6,235	1,239,361		10,297,657	7,690,371	9,460,485
143	488	M. & O.	12,900	4,360,061	317	47,944,611	36,410,228	45,011,800
Total			140,098	71,991,800	1,005,661	539,824,015	430,487,151	532,883,761
CANADIAN NATIONAL								
30	300	C. V.	4,812	1,845,720	1,880	24,904,307	19,180,939	22,424,429
141	512	D. W. & P.	2,807	601,857	5,107	8,747,080	7,342,743	8,357,558
143	27	G. T. W. Ry.	15,094	18,616,162	138,240	70,767,456	54,701,510	78,300,664
Total			22,713	21,063,738	145,227	104,418,843	81,225,192	109,082,651
ATLANTIC COAST LINE								
38	581	A. C. L. R.R.	76,822	30,063,753	19,107	179,445,348	230,335,447	182,675,076
31	584	N. C. & St. L.	16,088	15,799,996	36,019	64,468,105	50,036,392	69,845,395
39	382	L. & N.	67,198	28,136,416	129,825	343,555,935	279,984,549	325,978,082
29	154	A. & W. P.	1,738	1,545,079	310	5,438,933	4,351,509	6,225,000
121	744	C. & W. C.	5,234	1,900,920		9,936,757	7,550,585	10,093,755
29	97	W. Ry. of A.	1,844	989,241	10	6,133,133	4,782,310	6,127,059
Total			168,896	78,435,404	185,271	608,978,211	577,041,088	600,949,368
SOUTHERN PACIFIC								
Docket 1008		S. P.	165,955	98,746,441	4,133,613	434,029,831	347,146,975	477,439,910
36	381	T. & N. O.	64,772	27,319,251	14,314	153,074,792	118,891,793	159,765,063
149	404	St. L. S. W.	10,495	3,712,452	68,341	31,726,689	24,276,961	30,416,497
149	404	St. L. S. W. of T.	11,352	4,513,888	20,499	28,541,847	21,653,243	28,118,738
Docket 1064		S. D. & A.	4,219	1,876,869		8,702,458	8,019,455	10,323,476
Docket 931		N. W. P.	6,133	2,223,169		36,291,983	31,563,186	35,667,931
Total			262,926	138,392,100	4,236,767	692,367,600	551,556,613	741,731,615
ARTHUR CURTISS JAMES CO.								
29	281	W. P.	24,522	7,324,659	696,927	57,648,055	51,737,922	64,630,401
119	483	D. & S. L.	5,576	753,619	400	16,089,125	13,904,387	15,836,075
56	766	D. & R. G.	51,340	6,797,577	57,572	115,733,580	90,337,061	104,257,137
Total			81,438	14,875,855	754,899	189,470,760	155,979,370	184,723,613
GULF, MOBILE & NORTHERN								
125	709	G., M. & N.	5,746	786,132	119	11,583,837	9,169,503	10,715,000
123	833	N. O. G. N.	5,862	208,825		7,942,313	6,174,944	6,955,894
Total			11,608	994,957	119	18,926,150	15,344,447	17,670,894
ILLINOIS CENTRAL								
Docket 387		I. C. R.R.	74,921	79,286,015	1,010,068	322,514,050	250,954,823	347,680,187
106	118	G. & S. I.	5,814	1,350,238		8,981,453	6,950,749	9,036,302
Docket 349		Y. & M. V.	19,450	4,509,656		42,781,309	33,327,830	40,088,029
130	54	C. of Ga.	29,417	15,212,111	600	75,443,092	58,838,188	79,201,572
Total			129,602	100,358,020	1,010,686	449,719,904	350,071,590	476,006,090
CHICAGO & NORTH WESTERN								
137	34	C. & N. W.	153,253	95,812,290	501,831	479,854,988	373,361,472	502,951,632
137	463	C., St. P., M. & O.	7,648	7,185,688	56,301	18,094,356	12,305,733	87,172,587
Total			160,901	103,997,978	558,132	497,949,344	385,667,205	590,124,219

Interstate Commerce Commission valuation of railroads—Continued

I.C.C. valuation		Name of road	Commission's valuation					
Volume	Page		Acres of land used	Value of land used	Value of private and public rights	Cost of reproduction new	Cost of reproduction new, less depreciation	Final value for rate making
UNION PACIFIC								
Docket 1060		U. P.	128,978	\$32,930,078	\$207,335	\$237,565,156	\$188,786,405	\$242,064,968
Docket 1007		O. S. L.	47,230	10,159,923	34,124	105,071,396	88,219,198	106,144,873
Docket 329		O. W. R.R. & Nav.	32,667	15,633,283	226,741	117,619,444	104,124,158	127,367,514
Docket 962		S. J. & G. I.	4,373	1,114,227		8,653,247	6,378,322	8,106,949
75	601	S. P. La. & S. L.	23,430	4,195,003	86,059	43,153,118	35,744,594	45,200,000
Total			236,678	64,032,513	554,250	512,062,361	423,252,677	528,874,304
ST. LOUIS-SAN FRANCISCO								
Docket 400		St. L. S. F.	68,996	22,802,433	386,956	196,995,271	150,631,781	186,337,063
Docket 408		St. L. S. F. of T.	1,504	452,100	989	3,156,844	2,493,480	2,994,986
Docket 358		Ft. W. & R. G.	8,627	672,701		4,645,692	3,707,314	4,564,965
24	797b	C. R. I. & P.	119,616	43,556,218	33,167	330,637,461	260,300,730	322,229,295
Total			198,743	67,483,452	421,112	535,435,268	417,133,305	516,126,309
NEW ENGLAND LINES								
25	217	N. Y. O. & W.	6,809	2,933,962	84,117	46,975,160	36,805,565	43,259,907
30	42	N. Y., N. H. & H.	30,997	91,816,060	540,638	337,537,026	263,133,684	377,015,724
30	555	B. & M.	33,065	45,423,233	1,517,890	229,149,245	175,079,127	235,473,038
30	308	M. C.	13,586	6,339,609	77,321	71,272,192	54,919,696	65,839,980
Total			84,457	146,512,863	2,219,666	684,933,628	529,938,072	721,588,649
Docket 1072		C. M. St. P. & P.	160,521	75,049,671	464,662	563,305,024	451,324,217	538,801,596
135	580	M. O. & G.	4,617	403,726	1,078	8,745,869	6,928,782	7,757,877
135	580	M. O. & G. of T.						
Total			4,617	403,726	1,078	8,745,869	6,928,782	7,757,877
75	274	K. C. S.	13,482	3,661,056	42,860	43,483,319	35,618,222	45,498,572
84	145	T. & Ft. S.	1,336	645,890	106	3,201,404	2,660,013	4,017,696
Total			14,818	4,306,946	42,966	46,684,723	38,278,235	49,516,268
34	365	M. K. T.	32,645	8,244,838	3,592	93,202,506	72,237,665	86,856,397
34	650	W. F. & N. W.	5,068	267,550		6,323,595	5,123,766	5,729,924
34	484	M. K. T. of T.	24,954	8,209,892	53,233	50,731,356	40,375,702	52,371,068
Total			62,667	16,722,280	56,825	150,257,457	117,737,133	144,957,389
133	693	L. & A.	4,636	399,772	9,204	8,738,447	7,129,178	7,957,449
106	48	L. R. & N.	5,296	1,103,301		10,381,554	8,155,285	10,796,479
Total			9,932	1,503,073	9,204	19,120,001	15,284,463	18,753,928
25	313	C. I. & L.	5,806	4,098,147	13,040	31,146,433	25,538,186	31,693,581
25	42	A. C. & Y.	138	665,767		1,129,117	996,224	1,732,044
31	684	P. & S.	2,027	240,755	350	11,559,822	10,334,771	11,271,145
26	6	P. S. & N.	2,525	213,508	2,790	10,534,123	7,616,424	8,347,000
137	708	L. & H. R.	891	160,056	300	5,527,153	4,347,284	5,175,027
35	388	S. A. L.	62,930	21,717,420	308,248	140,210,018	110,796,043	141,550,275
141	654	V. Ry.	9,168	3,143,938	1,580	54,199,988	47,451,112	53,726,045
135	101	T. C.	3,777	1,007,682	19,190	11,014,157	8,635,038	10,229,876
84	268	Sof. M.	2,896	563,334		4,825,535	3,565,247	4,470,534
84	61	F. E. C.	11,750	5,002,090		43,515,318	38,569,822	46,200,000
143	325	G. & F.	4,177	369,009	1,667	5,402,330	4,279,657	4,907,400
31	257	R. F. & P.	3,364	2,933,519	9,338	18,083,480	14,870,827	19,518,366
137	788	M. & St. L.	21,224	7,066,415	44,359	48,352,179	36,153,073	45,487,548
141	403	M. V.	5,406	1,613,818	877	11,603,939	9,309,041	11,725,185
114	63	G. B. & W.	3,796	583,538	947	6,949,672	5,501,570	7,264,197
35	194	C. G. W.	21,841	11,076,628	44,331	70,338,143	54,649,995	69,307,547
125	646	M. & N. A.	4,704	457,181	489	10,095,793	8,444,974	9,148,507
97	172	B. & A.	11,133	700,455	4,535	29,478,029	22,899,611	24,957,584
143	858	Ft. S. & W.	2,813	320,566		5,745,954	4,333,423	4,934,020
114	681	T. M.	1,827	367,040	350	2,773,983	2,018,746	2,538,500
121	553	D. & M.	5,073	223,186	6,451	8,114,154	5,957,979	6,562,900
110	336	U. & D.	1,615	385,832		6,825,669	5,536,780	6,472,889
135	300	Miss. Cen.	2,261	121,892	3	5,449,942	4,463,236	4,835,055
116	619	D. & H.	12,133	12,810,375	27,112	95,680,800	72,982,077	95,834,979
CONTROLLED BY INDUSTRIES								
84	632	E. J. & E.	3,949	3,530,194		37,172,882	28,559,235	34,660,000
26	439	D. M. & N.	6,254	1,746,410	264,385	49,468,833	40,230,653	46,030,271
34	773	B. & L. E.	4,311	1,710,874	25,588	41,412,941	33,496,118	38,371,988
Total			14,515	6,987,478	280,973	128,054,656	102,286,006	119,062,259
84	710	N. S.	10,873	3,017,773		24,069,794	19,796,729	24,426,465
141	49	M. Conn.	65	3,065,937	100	3,328,694	2,459,787	5,062,374
116	10	L. S. & I.	764	108,954		5,081,372	4,425,488	4,832,572
141	561	U. Ry.	769	48,582	925	5,423,455	5,066,761	5,377,000
106	451	B. & G.	716	440,215		5,360,361	4,845,352	5,830,443
84	525	N. N.	3,844	43,870		4,015,497	3,055,986	3,404,900
130	333	I. T.	210	92,439		1,308,007	1,096,194	1,259,530
33	689	Montour	592	209,652		5,375,377	4,477,890	5,105,000
119	216	C. & I. M.	381	113,149		2,089,757	1,791,811	2,012,500
35	38	L. & N. E.	2,282	648,094	5,037	12,848,431	10,300,601	12,014,063
Grand total			3,614,400	2,502,830,840	34,434,968	14,875,990,008	11,873,322,807	15,430,261,417

Interstate Commerce Commission valuation of railroads—Continued

I.C.C. valuation		Name of road	Financial transactions				Dividends in cash	Declared in stock	Corporate surplus
Volume	Page		Increase or decrease in obligations through reorganization	Discounts or bonuses in sale of stocks and bonds	Discounts or bonuses to predecessors	Cost of reorganization, commissions, expenses, etc.			
HILL LINES SYSTEM									
134	56	C., B. & Q.			-\$34,460,317		\$269,939,477	\$19,255,130	\$213,648,892
134	581	C. & S.				10,015,000			4,807,660
134	733	Ft. W. & D. C.				3,205,022			9,752,426
134	778	W. V.				428,873			203,231
134	832	Q. O. & K. C.							-231,489
133	143	G. N.		-\$3,783,293	-14,984,054		195,975,868		91,833,715
25	441	N. P.	+\$81,451,451	-12,309,282	-16,080,831	\$6,400,113	245,675,481		103,828,478
Docket	896	S. P. & S.							
149	317	T. & B. V.		-482,520					-10,688,373
Total			+61,481,451	-16,575,095	-65,525,201	6,400,113	725,239,722	19,255,130	413,154,540
SANTA FE SYSTEM									
127	101	A. T. & S. F.					213,528,028	369,035	92,900,948
127	650	G. C. & S. F.					588,636		-13,187,051
127	777	P. & S. F.							2,576,325
127	807	P. & N. T.					878,994		152,539
127	827	G. C. Ry.							2,476
Total							214,995,658	369,035	82,605,238
NEW YORK CENTRAL SYSTEM									
27	80	N. Y. C.	-29,572,183	-17,655,700	-40,469,301	2,435,619	231,625,230	5,956,445	94,574,338
28	760	P. & L. E.		-245,356			49,249,843		27,300,674
28	479	D. T.							374,735
28	90	C. C. C. & St. L.	+3,500,000	-7,617,788			26,938,807		2,221,827
28	607	C. N.		-20,499			640,000		691,014
28	271	Mich. Cent.	+150,000	-3,442,843	-899,290		49,727,998	3,088,440	29,331,658
39	50	D. L. & W.	+289,131	-2,812,919	-1,432,627	29,349	186,420,235	25,815,067	177,507,515
75	443	E. & I.	+940,000	-35,835	-18,835				-196,047
130	209	Rutland	-4,780,678	-1,475,054	-841,002	11,313	4,112,971		3,829,376
Total			+29,464,731	-33,234,324	-43,661,055	2,476,282	548,615,073	34,860,552	335,635,090
B. & O. SYSTEM									
Docket	1068	B. & O.	+111,214,755			44,721,112			
Docket	1009	S. I. R. T.	-4,500,000				670,000		
82	24	W. M.	+1,739,500		-16,887,272		123,125		1,859,005
82	280	P. & R.	-116,190,620	-1,790,969	-46,106,769	1,102,625	174,009,427	2,518,155	36,804,085
149	723	C. R. R. of N. J.		-572,890	-276,250	7,389,664	95,360,608	3,906,491	48,022,138
Docket	851	C. & A.	+443,300	-4,465,209		63,228			
31	404	B. R. & P.	-10,585,000	-292,613	-3,102,365		20,579,608		8,208,196
36	215	B. & S.	-4,067,900	-8,512	-937,315		1,433,219		1,354,551
Total			-21,945,985	-7,130,194	-67,309,971	53,276,029	292,080,988	6,514,646	96,247,976
CANADIAN PACIFIC									
108	374	C. P.							
36	163	D. S. S. & A.							-6,265,769
143	596	M. St. P. & S. S. M.	-25,133,953	-8,702,505	-19,388,304		27,861,398		22,769,685
110	174	S. I.		-2,130,836					-580,361
Total			-25,133,953	-10,833,341	-19,388,304		27,861,398		15,923,555
PENNSYLVANIA SYSTEM									
22	150	P. R. R.	+6,415,107	-13,680,972	-17,685,198	900	933,905,322	66,885,073	413,613,806
22	814	W. J. & S.	-795,102	-93,700	-856,561		7,408,335		2,619,945
23	39	Monon. Ry.	+3,568,000		-41,978		245,000		1,710,124
23	708	G. R. & I.	-4,202,481		-987,098		1,650,405		-89,670
36	23	L. I. R. R.	-1,796,228	-7,063,345	-267,966		8,807,288	400,000	-7,797,792
34	23	L. V.	-1,862,716	-6,040,258	-1,928,132		117,260,589	3,479,191	21,926,034
141	124	D. T. & I.	-23,895,314	-188,918	-682,586				-1,054,578
36	292	P. & W. V.		-100,486	-2,156,071			400,000	-940,211
31	743	W. & L. E.	+3,532,826	-117,404	-12,923,093	1,362,131	157,000		2,255,746
26	593	N. Y. Conn.		-1,670,284					-161,259
Docket	897	Wabash	-13,434,666	-300,000		1,092,286	2,772,000		9,269,730
84	171	Ann. Arb.	+919,173	-3,412,382		220,625			1,340,658
26	285	N. & W.	+22,881,499	-3,696,565	-36,652,503		74,741,610		43,063,133
Total			-8,669,902	-9,002,371	-74,181,188	2,675,942	1,146,947,549	71,164,264	485,755,666
VAN SWERINGEN SYSTEM									
Docket	1006	M. P.	+22,978,880			82,390			1,812,860
29	675	N. O. T. & M.	-15,000	-4,994,462	-600				-1,389,782
29	525	T. & P.	+4,173,801	-3,673,389	-179,461	1,096,488			11,816,398
149	597	I. G. N.	-5,317,053	-188,234	-2,666,543	4,822,000	250,000		349,623
141	239	S. A. U. & G.		-3,260			79,608		-122,122
24	494	C. & O.	+18,508,596	-12,267,928	-12,040,539	5,000	22,136,792		9,684,474
29	343	H. V.	-3,565,464	-1,115,298	-3,168,016	1,097,736	14,372,896		9,050,293
130	520	P. M.	+1,713,060	-11,687,419		293,384			25,665,222
31	37	C. & E. I.	-7,281,460	-1,807,657			17,093,056	267,756	2,506,781
25	378	D. & T. S. L.		-30,770			1,117,520	712,000	889,236
33	45	Erie	+71,445,908	-10,972,819	-34,264,177	600,000	30,910,745		49,233,675
33	509	N. Y. S. & W.	-2,442,968	-617,351	-1,828,049		120,000		2,158,257
33	597	N. J. & N. Y.		-25,656	-28,596		55,146		121,690
33	632	C. & E.	+600,000	-107,438					2,232,476
38	368	N. Y. C. & St. L.	-19,002,600	-1,275,943	-1,185,404		22,588,285		7,378,266
Total			+81,795,696	-48,767,623	-55,361,384	7,896,998	108,724,048	979,756	64,848,573
SOUTHERN RAILWAY SYSTEM									
37	74	S. Ry.	-12,118,541	-22,049,521	-20,463,482	11,523,151	75,235,033	633,384	39,706,746
130	602	N. A.	-2,692,700						-360,863
106	164	G. S. & F.	+3,321,000						1,553,196
143	488	M. & O.	+4,065,249	-1,942,762	-412,000	237,114			5,455,904
Total			-7,424,990	-23,992,283	-20,875,482	11,760,265	75,235,033	633,384	46,354,985

Footnotes at end of table.

Interstate Commerce Commission valuation of railroads—Continued

I.C.C. valuation		Name of road	Financial transactions				Dividends in cash	Declared in stock	Corporate surplus
Volume	Page		Increase or decrease in obligations through reorganization	Discounts or bonuses in sale of stocks and bonds	Discounts or bonuses to predecessors	Cost of reorganization, commissions, expenses, etc.			
		CANADIAN NATIONAL							
30	300	C. V.	-\$7,666,938	-\$67,035		\$109,982	\$6,035,335	\$956,155	
141	512	D. W. & P.		-900,527				-753,529	
143	27	G. T. W. Ry.	+215,968	-2,369,819	-\$615,494	60,000	8,034,517	\$468,757	
		Total	-7,450,970	-3,203,311	-615,494	169,982	14,069,852	468,757	
		ATLANTIC COAST LINE							
38	581	A. C. L. R.R.	+9,683,883	-1,574,733	-2,058,960		78,717,107	13,118,175	
31	584	N. C. & St. L.		-2,852,720		489,645	20,922,410	40,854,652	
'9	382	L. & N.		-27,522,274	-8,606,530	327,345	87,041,359	12,073,960	
29	154	A. & W. P.					9,102,770	65,736,197	
121	744	C. & W. C.	-566,000					2,260,813	
29	97	W. Ry. of A.			-176,720		3,510,000	1,799,768	
		Total	+9,117,883	-31,949,727	-10,842,211	816,990	199,293,647	33,032,273	
		SOUTHERN PACIFIC							
Docket 1008		S. P.		-8,268,164		3,285,091	173,475,935		
36	381	T. & N. O.	+4,327,920	-2,075,491	-3,694,750		34,312,585	55,631,696	
149	404	St. L. S. W.	+5,516,837	-5,877,470	-5,879,345	505,195	4,575,539	4,906,944	
149	404	St. L. S. W. of T.		-176,450	-60,000			-1,527,948	
Docket 1064		S. D. & A.				22,204			
Docket 931		N. W. P.	+18,385,000	-1,164,250		44,290			
		Total	+28,229,757	-17,561,825	-9,634,095	3,856,780	212,364,059	75,000	
		ARTHUR CURTISS JAMES CO.							
29	281	W. P.		-11,343,434				-11,520,196	
119	453	D. & S. L.	-11,652,958	-434,947		1,211,266		-1,202,646	
26	766	D. & R. G.		-5,919,023	-9,769,818		9,042,300	-11,785,479	
		Total	-11,652,958	-17,697,404	-9,769,818	1,211,266	9,042,300	-24,508,320	
		GULF, MOBILE & NORTHERN							
125	769	G., M. & N.	-779,175		-1,058,094			370,857	
133	833	N. O. G. N.		-988,682					
		Total	-779,175	-988,682	-1,058,094			370,857	
		ILLINOIS CENTRAL							
Docket 387		I. C. R.R.		-8,765,216		256,931	183,474,507	9,635,295	
106	118	G. & S. I.	-2,144,477	-242,500		41,617	2,537,000	1,947,639	
Docket 349		Y. & M. V.							
130	54	C. of Ga.	+1,419,956	-124,200	-1,155,853		23,086,170	1,813,616	
		Total	-724,521	-9,131,976	-1,155,853	298,548	209,197,677	11,448,911	
		CHICAGO & NORTH WESTERN							
137	34	C. & N. W.	+6,053,577	-5,660,474	-15,934,976		241,228,473	53,952,196	
137	463	C., St. P., M. & O.	+3,656,427	-2,580,908	-2,771,128		50,832,992	6,151,354	
		Total	+9,710,004	-8,241,382	-18,706,104		292,061,465	60,103,550	
		UNION PACIFIC							
Docket 1060		U. P.	+68,822,703	+8,264,747		3,844,050	396,227,035	67,351,870	
Docket 1007		O. S. L.	+5,523,947				185,246,875		
Docket 329		O. W. R. R. & Nav.		-7,064,843					
Docket 962		S. J. & G. I.	+3,714,008			18,250	1,154,519		
75	601	S. P. La. & S. L.		-5,572,400				-3,513,618	
		Total	+78,060,658	-4,372,496		3,862,300	582,628,420	67,351,870	
		ST. LOUIS-SAN FRANCISCO							
Docket 400		St. L. S. F.	+9,576,757	-115,275		32,419			
24	797b	C. R. I. & P.	+26,122,613	-16,302,154			119,058,729	4,615,600	
24	797	C. R. I. & G.		-823,622				-14,774,685	
		Total	+35,699,370	-17,241,051		32,419	119,058,729	4,615,600	
		NEW ENGLAND LINES							
25	217	N. Y. O. & W.	+27,224,735	-4,359,492			13,056,194	7,249,083	
30	43	N. Y., N. H. & H.	-3,894,885	-10,639,690		32,755	234,570,886	8,230,912	
30	555	B. & M.	-1,649,942	+6,984,310		39,671	174,004,241	2,392,341	
30	368	M. C.	-651,671	-1,286,404			26,109,100	\$ 80,000	
		Total	+21,028,237	-9,301,275		71,826	447,740,421	262,800	
		C. M. St. P. & P.							
Docket 1072		C. M. St. P. & P.		+1,811,176			259,647,633	7,288,002	
135	580	M. O. & G.		-8,992,960				3,677,460	
135	580	M. O. & G. of T.						-5,938	
		Total		-8,992,960				3,671,522	
75	274	K. C. S.	+19,859,975	-5,730,849	-4,104,253	1,239,196	6,720,000	5,311,675	
84	145	T. & Ft. S.						1,637,119	
		Total	+19,859,975	-5,730,849	-4,104,253	1,239,196	6,720,000	6,948,794	
34	365	M. K. T.	+27,515,556	-18,618,490	-660,537	2,085,241	4,227,331	9,929,883	
34	650	W. F. & N. W.		-378,621	-74,250		270,000	1,396,804	
34	484	M. K. T. of T.	+13,670,563	-334,576	-669,725	159,481	3,029,164	21,745,353	
		Total	+41,186,119	-19,331,687	-1,404,512	2,244,722	7,526,495	13,212,274	

Footnotes at end of table.

Interstate Commerce Commission valuation of railroads—Continued

I.C.C. valuation		Name of road	Financial transactions				Dividends in cash	Declared in stock	Corporate surplus
Volume	Page		Increase or decrease in obligations through reorganization	Discounts or bonuses in sale of stocks and bonds	Discounts or bonuses to predecessors	Cost of reorganization, commissions, expenses, etc.			
NEW ENGLAND LINES—continued									
133	693	L. & A.		-\$585,571			\$687,500	\$2,305,063	
106	48	L. R. & N.						703,116	
		Total		-585,571			687,500	3,008,179	
25	313	C. I. & L.	-\$2,729,769	-340,444		\$300,085	6,776,585	5,196,328	
25	42	A. C. & Y.				20,137		-71,943	
31	684	P. & S.		-1,080,750				1,833,021	
26	6	P. S. & N.		-263,099	-\$2,020		73,200	-9,108,027	
137	708	L. & H. R.	+85,000	-65,880			719,570	1,551,846	
35	388	S. A. L.	+142,614	-2,265,209	-15,983,079	268,850	2,812	3,555,873	
141	654	V. Ry.		-510,071				5,621,084	
135	101	T. C.		-1,053,669			325,500	-6,304,704	
84	268	Sof. M.						-504,608	
84	51	F. E. O.		-3,784,027				1,064,042	
143	325	G. & F.		-1,031,319	-33,229	202,100		-3,505,754	
31	257	R. F. & P.	-300,000	-352,642		502	12,254,478	2,395,115	
137	788	M. & St. L.	+5,991,378	-9,694,483	-5,255,060	561,751	4,233,701	934,520	
141	403	M. V.	+3,282,500	-1,416,333				-1,541,967	
114	63	G. B. & W.	-5,281,000	-265,567		166,010	3,068,894	1,051,498	
35	164	C. G. W.	+7,706,738	-3,733,332	-7,769,297		2,944,331	5,232,753	
125	646	M. & N. A.		-142,853				-961,448	
97	172	B. & A.	-482,900	-1,652,394	+2,019			567,882	
143	858	Ft. S. & W.		-974,752				-2,871,478	
114	681	T. M.						-1,872,274	
121	553	D. & M.	-170,000	-119,840			1,288,750	186,536	
110	336	U. & D.					171,000	2,275,790	
135	300	Miss. Cen.		-53,628	-15,329		393,644	1,206,245	
116	619	D. & H.	-543,355	-6,832,991	-1,053,389		122,016,674	6,605,310	
CONTROLLED BY INDUSTRIES									
84	632	E. J. & E.		+114,223					
26	439	D. & M. N.		-1,770,932			57,344,375	35,042,422	
34	773	B. & L. E.	+6,400,000	+286,200	-352,723		14,420,459	10,777,402	
		Total	+6,400,000	-1,370,509	-352,723		71,764,834	45,819,824	
84	710	N. S.	-15,930,000				1,040,000	1,108,035	
141	49	M. Conn.		-1,306			1,223,500	1,474,088	
116	10	L. S. & I.					390,000	1,156,967	
141	561	U. Ry.		-677,194				118,108	
106	451	B. & G.		-159,255			\$ 4,086,951	160,850	
84	525	N. N.		-1,000,000			5,980,000	875,525	
130	333	I. T.					150,000	925,486	
33	689	Montour	+1,125,000	-600,295			270,000	282,979	
119	216	C. & I. M.	+624,000	-384,049				-432,118	
35	38	L. & N. E.	-2,123,595	-991,224	-139,064		3,241,600	2,702,653	
		Grand total	+270,718,594	-343,871,368	-434,194,190	100,148,262	5,741,763,700	276,797,857	

1 Does not include securities of M. P.'s 10 leased lines.
 2 \$628,590 funded debt.
 3 \$466,944 bonds.
 4 \$143,000 funded debt.
 5 All bonds.

* \$1,594,016 certificates of indebtedness.
 † B. & O. common and preferred stock.
 ‡ Script.
 § Stock dividend included, not separable.

Mr. SHIPSTEAD. Mr. President, during the day several Senators have asked that I obtain unanimous consent to have printed in the RECORD this graph on the wall. I have conferred with the Chairman of the Joint Committee on Printing on the subject, and he is to bring it to the attention of the committee. I hope the joint committee will give its consent to the printing in the RECORD of this graph at an early date next week.

REGULATION OF BANKING.

Mr. VANDENBERG. Mr. President, I find it necessary to comment again on the fact that the Senate banking bill, which has gone to conference with the House, contains within it, in my view, the most important single contribution that can be made to the economic recuperation of the country. I am referring to the provision for immediate Federal bank-deposit insurance. Unfortunately, as the matter proceeds into conference, the amendment which entered the bill upon my primary responsibility is being subjected to a type of criticism in some quarters which either is the result of complete misunderstanding or is born of a desire to prejudice the amendment unduly and improperly and to defeat it by indirection. I serve notice that I shall resist this trend with every resource at my command, and so will other Senators who are like-minded.

There is a type of banking opposition to this insurance formula which I freely concede to be conscientious and sincere. There is another type of banking opposition which is

entirely selfish and acquisitive. Without undertaking to identify the two types, because I never care to debate motives, I want to urge that the consideration in the conference and the consideration in the country be upon the basis of facts as they are. I want to urge that realities be the basis of consideration. I want to demonstrate very briefly what I mean by two different contemporary editorials. First is an editorial in the Washington Post of this morning, from which I read two sentences:

The banking bill was further weakened—

That depends entirely on the point of view, Mr. President—

The banking bill was further weakened by acceptance of an amendment by Senator VANDENBERG providing for temporary guaranty of deposits up to \$2,500.

Then note this language:

In other words, this is a reversion to the old guaranty scheme that has repeatedly failed when tried by the States.

Mr. President, it is absolutely nothing of the sort. There is scarcely even a remote or indirect relationship between the amendment which I submitted, which the able subcommittee of the Committee on Banking and Currency approved and which the Senate put into the bill by overwhelming vote. The old and advisedly repudiated system of State guaranty failed and fell for three primary reasons—first, because its risks were confined to localized communities, which is an absolute violation of fundamental insurance

axioms. In the instance of the insurance amendment which the Senate has approved there is a diversifying decentralized risk spread over all the country. Precisely as a localized fire-insurance company would be involved in an infinitely more difficult responsibility in confronting a localized conflagration than a Nation-wide fire-insurance company would be embarrassed under like circumstances, so the Nation-wide deposit insurance which the Senate has approved is fundamentally and completely and distinctly different in this aspect from the State deposit insurance theory which heretofore has gone by the boards. I make no defense of the former State guaranty laws. On the contrary, I join in condemning them; and I say to the Senate that my pioneering studies of this new Federal proposal all went forward in a full comprehension of these prior failures and a complete purpose to avoid all such infirmities. I insist that the purpose has been completely accomplished in my amendment which the Senate approved.

Secondly, all the State deposit-insurance funds had to collect all their losses in a time of stress virtually by pyramided assessment in a limited time upon the banks involved, because there was not a sufficient credit in the State to permit an amortization of the losses, which is another fundamental principle of insurance.

Under my amendment as the Senate has approved it, there is a distinct limitation upon the immediate assessment that needs to be met in the event of accentuated loss, and there is a provision for the normal, natural amortization of losses over the years.

In the third place, the old and repudiated State systems of deposit insurance failed because they guaranteed all the deposits in the banks and thus reduced all banking to a dead level; whereas under the amendment which the Senate has adopted to provide for immediate deposit insurance in both Federal Reserve member banks and State nonmember banks, the limit of insurance is \$2,500 in the deposit.

What is the net result of that discrimination? To the best of our information, there is only 25 percent of the deposits of the country in deposits of \$2,500 or less. Therefore, under the plan which the Senate has approved, we are insuring only 25 percent of bank resources, and we are leaving the banker and the depositor upon 75 percent notice to look out what he is doing in respect to his bank and in respect to his deposits. Yet by protecting up to \$2,500 we have protected the great mass of depositors in number. We have protected that great mass of depositors, the field in which hysteria usually generates; the field in which the awful social tragedies occur when banks are closed. It is a field which must be protected. The savings of America must be made safe.

Mr. FLETCHER. Mr. President, may I ask the Senator a question?

The PRESIDING OFFICER (Mr. LOGAN in the chair). Does the Senator from Michigan yield to the Senator from Florida?

Mr. VANDENBERG. I yield.

Mr. FLETCHER. Much has been said about the failure of protecting deposits by the various States. The great mistake made there, as I understand as the result of my study of that subject, was that those plans were based upon an assessment on the capital stock of the bank. That often has no relation at all to the deposits. A bank may be capitalized at, say, \$50,000, and may have three billions of deposits. The State systems all rested their assessments on the capital of the bank, and that is why they failed.

Mr. VANDENBERG. The Senator is entirely correct in making this further distinction. He simply adds to the demonstration of the fact that there is no color of justification for the prejudicial, insinuating suggestion that—

In other words, this—

The action of the Senate—

is a reversion to the old guaranty scheme that has repeatedly failed when tried by the States.

No, Mr. President, it is a reversion to solid banking confidence—justified beyond chance of another staggering jolt.

It is a reversion to money in banks rather than in hoarding. It is a reversion to a free flow of bank credit and of bank-credit currency as evidenced by checks and similar exchange. It is a reversion, therefore, to stimulated trade and to stimulated employment. It is a reversion to better times. It is the sort of revision for which Congress and the country prays. But it is not a reversion to the more recent jeopardies which have slaughtered deposits and depositors and which must be prevented from recurrence not only in the name of fiscal stability but also in the name of social justice and vigilant democracy.

There is absolutely no relationship whatsoever between the emergency formula which has been developed upon my motion here in the Senate, and which has been almost unanimously approved by the Senate, and these old, repudiated State schemes.

I might add that it has been argued against deposit insurance that there were some losses as a result of the operation of these State schemes. Well, Mr. President, so are there losses—tremendous, challenging losses—on every side today in jurisdictions that never have had any insurance whatsoever. The real question simply is, Who shall stand these losses? I decline to subscribe to the doctrine that the only safe banking in America is banking in which the depositor takes all the major risk. It is possible to create a firm basis of deposit insurance, precisely as the Senate has voted it into the banking bill; and it is my prophecy that if it remains in the bill, if it can weather the storms of conference with the House and the hitherto indicated opposition of even higher Washington authority, it will put steel beams under the confidence of the American people in their banking functions; and, when it does, it will do more to restore a nominal velocity of American business and a normal release of credit than all the rest of the schemes combined which we are undertaking to promote. Indeed, without this steel beam, the balance of the structure entirely falls and fails.

Here is another sentence from this editorial:

State banks would be allowed to participate in this fund on easy terms.

The obvious inference is that there is something about my deposit-insurance formula, which the Senate has approved, which is unreasonably and improperly partial to State banks.

Mr. President, the "easy terms" upon which State banks become eligible for this emergency insurance during the next year are simply the terms of certified solvency. Certified solvency! Any bank in the United States that has certified solvency is entitled to participate on an equality with other banks, whether it is a member of the Federal Reserve System or not. Some of the terms which have been dictated by the Treasury Department and by the Federal Reserve System to State banks during the last 90 dismal banking days, with their needlessly ruthless deflationary policies, have not been reasonable terms; and if, by the phrase "easy terms", it is meant that State banks are at last to have a modicum of a square deal as well as a "new deal", I am very hopeful that "easy terms" means exactly what I have indicated. The country will be better off.

There is another editorial this morning in another newspaper, the Philadelphia Record. This is the other side of the picture. I quote one sentence:

Passage of this bill means more to the small business man, the small bank, and the small depositor than any other legislation that has yet been put through Congress.

I am just as sure that that is true as that I stand in my place upon this floor. That is the thing that is in jeopardy in the conference next week between the House and the Senate in respect to this legislation. I add that the big bank, as a matter of fact, has just as great a stake in this proposition as the little bank because, in the final analysis, there must be justified Nation-wide banking confidence in banking as a whole before any bank, regardless of its size, can be safe.

I quote again from the Philadelphia Record:

The refusal to open over 4,000 banks, after the bank holiday ended, accelerated this trend.

The trend being a depressionary trend. We were particularly victimized in the Chicago Federal System area.

Only 5 percent of the deposits in the 100 largest banks were tied up. But almost 30 percent of deposits in the 17,500 smaller banks were frozen.

Now, mark this:

Foreshadowed was an America without small banks, an America whose credit would be controlled by a few men pulling the strings from New York—the sort of men who weave a net of influence by letting important people in on “favors.”

Continuing the editorial:

The Senate and House, by passing bank deposit guaranty bills, have taken the first Government action of this depression to reverse the vicious trend and save small banks.

Now, mark this, because it is the type of verdict which I think the conferees of the House and Senate ought to render, precisely as did the Senate itself on yesterday:

The Record accepts Government guaranty of bank deposits as the only way out. It recognizes the theoretical objections, feels that they are outweighed by the practical benefits in this emergency.

That is true. The editorial is particularly emphatic in its endorsement of my amendment, and I appreciate the compliment, not for myself but for the cause; and this is the concluding phrase in the editorial:

This is the time for liberal sentiment in Congress to strike home for a major victory.

I commend that challenge to the House and Senate conference, to the Secretary of the Treasury, and to the White House. Mr. President, I know of nothing more important in respect to the economic recuperation to which this administration and this session of Congress are dedicated than that the conference between the House and the Senate shall stand fast for the Senate bill as passed on yesterday, particularly with respect to the provisions for immediate deposit insurance available to all solvent banks on an equality.

I ask unanimous consent that this editorial from the Philadelphia Record be printed in full at the conclusion of my observations.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The editorial is as follows:

[From the Philadelphia Record of Saturday, May 27, 1933]

GUARANTEE BANK DEPOSITS AT ONCE

The Morgan probe has already had one beneficial effect. The Senate was so stirred to anger by the revelations that it rushed through the Glass bill providing for guaranty of bank deposits.

Passage of this bill means more to the small business man, the small bank, and the small depositor than any other legislation that has yet been put through Congress.

Guaranty of bank deposits will give the small banks the weapon they need against the Money Trust, so thoroughly exposed at Washington.

The Money Trust has been concentrating control of American banking in its own hands for half a century. It has systematically crowded out small banks and merged the larger banks into enormous units under its own control.

When the depression began the 100 largest banks controlled almost 50 percent of bank resources in this country.

They have held their ground since, while the small banks have been decapitated by the hundreds. They have not only refused to help the small banks but have stage-managed a deliberate campaign to ruin them in order to “clean up the situation.”

Individual initiative in banking, community-contained banking, banking for the independent business man, have been dying during the last 4 years. That has been one of the most perilous results of the depression.

The refusal to open over 4,000 banks after the bank holiday ended accelerated this trend. Only 5 percent of the deposits in the 100 largest banks were tied up. But almost 30 percent of deposits in the 17,500 smaller banks were frozen.

Foreshadowed was an America without small banks, an America whose credit would be controlled by a few men pulling the strings from New York—the sort of men who weave a net of influence by letting important people in on “favors.”

The Senate and House, by passing bank deposit guaranty bills, have taken the first Government action of this depression to reverse the vicious trend and save small banks.

The Record accepts Government guaranty of bank deposits as the only way out. It recognizes the theoretical objections, feels that they are outweighed by the practical benefits in this emergency.

The legislation is still in muddled shape.

The Steagall bill, as passed by the House on Tuesday, would not go into effect until July 1, 1934. It would guarantee deposits up to \$10,000 in full; deposits from \$10,000 to \$50,000 would be guar-

anteed up to 75 percent; above \$50,000 to 50 percent. This bill applies—as all bank-guaranty legislation must—not only to Federal Reserve member banks but also to nonmember State banks which can obtain State certificates of solvency.

The Glass bill, as passed by the Senate on Thursday, would, because of a splendid amendment by Senator VANDENBERG, of Michigan, guarantee deposits up to \$2,500 in all sound banks immediately.

On July 1, 1934, this emergency guaranty would give way to the major guaranties, similar to those in the House bill.

The guaranties would be underwritten by a \$500,000,000 fund, to be created by a Treasury contribution and a one half of 1 percent assessment on all deposits.

The guaranty project is not on the administration's legislative program. It has been severely criticized by the Treasury.

Lack of Treasury assistance for smaller banks in the past and the Morgan revelations show that Treasury opposition should be completely disregarded.

If the Glass-Vandenberg-Steagall provisions become law, the small banks can fight the large New York interests. They can hold their depositors.

Volume of deposits would increase. Business by credit and check would replace primitive business by cash now going on.

Other provisions in the bill would divorce security affiliates from banks, and prohibit acceptance of deposits by firms doing an investment business—such as J. P. Morgan & Co.

For the sake of the small banks, betrayed by the Treasury, betrayed by the Federal Reserve units, betrayed by the Reconstruction Finance Corporation, House and Senate conferees should agree on the measure at once, incorporating the immediate Vandenberg guaranty.

This is the time for liberal sentiment in Congress to strike home for a major victory. This is the time to make constructive use of the revelations of the Morgan inquiry.

EMERGENCY RELIEF OF RAILROADS

The Senate resumed consideration of the bill (S. 1580) to relieve the existing national emergency in relation to interstate railroad transportation and to amend sections 5, 15a, and 19a of the Interstate Commerce Act, as amended.

Mr. LONG. Mr. President, I send to the desk an amendment to the pending bill, which I ask may be considered at this time.

Mr. DILL. Mr. President, the amendment of the Senator from Alabama [Mr. BLACK] is the pending question. However, he is absent from the Chamber at the moment; and I ask that his amendment may be temporarily laid aside and the amendment of the Senator from Louisiana considered.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the amendment will be read for the information of the Senate.

The CHIEF CLERK. It is proposed to amend section 4, page 6, line 11, after the word “use”, by adding the following:

Provided, No route now existing shall be eliminated except with the consent of all participating lines or upon order of the coordinator.

Mr. DILL. Mr. President, I have examined the amendment; and, while I do not know that it is necessary, I think it might be advisable to have the provision in the bill. So I am willing to accept the amendment.

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

Mr. FESS. Mr. President, I understand that there is a desire to reach a final vote on the railroad bill today. If that is the desire, I shall not in any way interfere with it, except to take just a few minutes to make a statement in reference to the bill.

The chairman of the committee made a very exhaustive statement of what the bill contains, and devoted considerable time, with profit to Senators and the country, to a discussion of the various sections of the bill. For that reason it is unnecessary for me to take any time on that phase of the matter. I rise simply to state my sincere concern over the future of transportation by steam lines.

It is a problem that has been before us for years. It is coming to be an aggregation of cumulative problems growing out of confusion which very largely arises out of the multiplication of agencies to transport the traffic of the country. In other words, instead of our suffering from lack of transportation, we are really suffering from a multiplicity of transportation agencies. That has been a subject of much interest to the Congress and to the people at large.

I am not clear as to how the problem is to be solved. I have thought that if the railroads themselves were given

more freedom, in all probability they could work out the problem better than we could. There is always, however, a lurking fear that where we allow management full sway the public's interests will be lost sight of; and for that reason we have rather tied down the operators of railroads in the solution of their own problems.

A good example of that is found in the Transportation Act of 1920, in which we made a provision for the consolidation of railroads. Up to that period consolidation had moved normally with tremendous strides. In the case of the New York Central, the Pennsylvania lines, the Baltimore & Ohio, and trunk lines of that order consolidations had proceeded regularly. I think the Pennsylvania lines probably represent 200 or more different lines consolidated into one system. The same statement might be made in reference to the New York Central lines. The Transportation Act was intended to facilitate that; but, unfortunately, it prevented it. Instead of consolidations going on under the aegis of the new legislation, they were virtually stopped. The reason for it was the provision we wrote into the law requiring the Interstate Commerce Commission to outline a complete plan of consolidation, and then the consolidations were to proceed on that plan.

The chairman of the committee and all the Members of the Senate know the history of that effort. Four different times in 4 different years the Interstate Commerce Commission has recommended that we repeal the provision requiring a complete plan, because under the law no consolidations could take place until the plan was completed, and they found themselves incompetent to make the plan. When I say "incompetent", I do not mean that as a reflection; I mean that it is a problem which is probably impossible of solution. That is one of the problems facing us now. The first title of this bill is in a way designed to facilitate that particular provision of the law by releasing in a degree the force of the act of 1920. In order to accomplish it, it is rather a temporary feature. We create the office of coordinator, and give the coordinator certain authority, with a tenure of office of a year, with the privilege in the President of continuing him for an additional year. But he is authorized to do certain things. The things he is authorized to do I think are worth while. I do not like the general idea of giving so much power to one person, but these powers are somewhat limited, and especially limited in time.

The one feature about title I which I think is very unfortunate, and yet I do not know how to avoid it, is that which authorizes the coordinator to make economies, and I fear we proceed to write into the bill handicaps which would make it difficult for him to do the things we authorize him to do. That is a misfortune which grows out of legislation where groups of influences operate with emphasis in writing the law. I am not sure whether there is anything especially to be gotten out of title I at all or not. I am going to vote for it, because it is in the direction of economy and lays down a plan for study, so that in the future certain changes in law may be recommended or, if it be the wisdom of those studying it, not only to change the law but probably to repeal some provisions of the law now operative.

One of the chief functions of the coordinator is to collect a body of facts upon which future legislation might be based, even in the case of reorganization of the financial structure. I listened with considerable interest to what the Senator from Minnesota [Mr. SHIPSTEAD] stated about the financing. That is the great problem, and it is one that is not a matter of wish, it is a matter of conditions we must meet.

We must maintain the railroads. I am convinced there is no way for our present industrial civilization to subsist without the railroads. I do not think changes in our industrial life will ever obviate the need of steam railroads. I am convinced we must maintain them. I am just as certainly convinced that we cannot maintain them under the present status. They are running at a loss, they cannot keep within their revenue, speaking of them as a whole; and, with the problem of maintaining them under present

conditions, when they are not self-supporting, and yet tied down by law that probably makes it impossible for them to support themselves, we are facing a serious problem, and for that reason I will go a long way to do what appears to be necessary to make effective steam-line transportation.

Title 2 is important. I think we are all convinced the recapture clause ought to be repealed. I do not know anybody who is not in favor of that. Shippers favor it, laborers favor it, the managers favor it. That part of it is quite essential.

I cannot see a scintilla of argument against covering holding companies which do transportation with the authority of the Interstate Commerce Commission. While there has been some lip objection, I cannot see any consistency in objecting to that provision. I think title 2 is quite important. Title I would be important if the purposes could be carried out.

I shall vote for the bill, in the hope that it may be of benefit.

Mr. TRAMMELL. Mr. President, I understand it is agreed that we will temporarily lay aside the amendment of the Senator from Alabama, and I offer the amendment which I send to the desk.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. The Senator from Florida proposes to add a new section at the end of the bill, as follows:

That any common carrier proposing an increase in freight, express, or passenger rates shall make an application to the Interstate Commerce Commission for authority to make such increase. Such application shall be heard and passed upon by the Commission not less than 60 days after the application for the increase is made, and at said hearing it shall be incumbent upon the carrier to establish by competent evidence the reasonableness of said proposed increase. That no increase in freight, express, or passenger rates shall be made except when authorized by the Interstate Commerce Commission after the hearing herein required. That at least 30 days' public notice shall be given by the Commission of the date upon which such application for increase of rates is to be heard. That at the hearings upon such application the railroad commission or similar State agency of any State, any shipper, grower, or any representative of a shipper or producer, or a group of shippers or producers, shall have the right to be heard and introduce evidence in opposition to the rate increase proposed by the common carrier.

Mr. TRAMMELL. Mr. President, some recent observations of mine in connection with an increase in freight rates on certain farm products revived my memory at least in regard to the plan under which freight rates at the present time are increased under the jurisdiction of the Interstate Commerce Commission.

A common carrier now desiring to increase its rates files with the Interstate Commerce Commission a tariff showing the contemplated increase in rates. Without any hearing, without any consideration whatever before the Commission, that contemplated increase automatically becomes effective within 30 days, or, if the Commission desires, it may make an order authorizing the enforcement of that increase even earlier than the expiration of 30 days. No provision whatever is made under which it is incumbent upon the carrier, even if the rate is contested, to establish the reasonableness of the rate.

I believe that the carriers, in possession of all the information upon which they base an application for an increase, being in a position to furnish evidence that their petition for an increase is reasonable, should have upon them the burden of proof when they seek to change, in the nature of an increase, a rate which has previously been in effect and which has previously been approved by the Interstate Commerce Commission.

The purpose and object of my amendment is to set up that character of procedure. If we allow it to remain as it is, a farmer, a producer, a manufacturer, a shipper, probably 2 or 3 or 4 weeks after the filing of a tariff is awakened to the fact that he has automatically impending over his head an application for an increase. He has no opportunity to go before the Commission and to have suspended the automatic operation of the regulation or procedure at the present time, unless he himself can disestablish the merits

of the application for an increase by placing the burden of proof upon the shipper and the producer, the manufacturer, or whosoever may desire to attack the rate. Under the proposed procedure the burden of proof would be upon the applicant to establish the reasonableness of the rate.

I hope the amendment will be adopted. I am not going to talk at length on this subject. It is a proposition which I attempted to have remedied a great many years ago. I have a copy of a bill I introduced some time ago, but at that time there was very little opportunity in the Congress to get any relief for the people as against the railroad interests of the country. We all know there has been a change in the trend of sentiment of the public on these subjects, and today I believe the average person desires to see the public given fair treatment, and, of course, desires also that the carriers shall have fair treatment. I think their case is pathetic.

I can recall, when I was back in the Florida Legislature, that the transportation companies of this country, and of my own State, were actually tyrannical; they were czars. They attempted to dominate all politics of the State, and to control legislation absolutely. It just happened that I did not belong to the crowd of those who were submissive in that respect, but they were asking no favors, except that they be let alone. The legislation in this country for a quarter or a half century, up to within the last few years, was practically all in the interest of and favorable to the transportation companies of our country. Of course, that was due very largely to the influence that was exercised by them on legislative bodies, and upon citizens, who might write to Mr. Morgan, "I hope some time to be able to reciprocate." We have had too much of that sort of thing in this country all along down through the years, so far as my observation has gone. However, the sentiment is changed now, and is changed because there was a terrible awakening, caused by a terrible disaster to the American people.

I wish to assist the railroads in all reasonable ways, but I do believe that we need a law requiring regulation of the carriers as proposed in this amendment, and I hope the amendment will be adopted.

Mr. DILL. Mr. President, at present the law simply provides that there shall be no change made in rates or fares except on 30 days' published notice, and then there is a proviso that, in their discretion, and for good cause shown, the Commission may make a change on less than 30 days' notice. Then there is a provision that when any proposed change of rates is filed, any person may ask for a hearing, and the Commission may suspend the rate, and may have, I think, several months, something like 7 months, in which to make the decision.

As I understand, the Senator's amendment would change existing law so that the Commission could not allow any increased rates to go into effect in less than 60 days, and would take away some of the discretion which the Commission now has in that regard. The amendment has just been presented to me a few minutes ago. I do not know fully the objections that might be raised to it, but I am willing to accept the amendment and take it to conference with the view to changing it in a satisfactory manner, if it must be changed, or not change it if it seems that it will work no great injustice.

Mr. TRAMMELL. Mr. President, I wish to thank the Senator for the concession, and I hope the conferees will bear in mind the position in which the shippers, the producers, and the manufacturers of this country now are under the present system. The amendment, if adopted, would do no injustice to the railroads, but would do justice to the patrons of the railroads. It would place the burden of proof upon the one seeking a remedy before a governmental tribunal, the remedy being that of increase in freight rates. Somebody has got to pay those freight rates. The railroads ask for them, and the purpose of this amendment is solely to place the burden of proof upon the transportation companies that are best able to furnish the evidence; to require them to establish their cause, instead of shifting the burden and granting the railroads automatically, with-

out any consideration, an increase of rates as is the case under the present regulations. That is all the amendment proposes to do, and I think there is a great deal of justice in it.

While many of the railroads are today, to a pathetic extent, lying stricken upon their backs, at the same time there are certain localities and States within this Union where the railroads pursue their heartless course of the imposition of unreasonable rates instead of pursuing a policy of encouragement and cooperation with the producers in those districts and States.

I am not going into details or enumerate instances and cases within my knowledge coming from my own State, but I know of them, I have them, and I know that the people of my State in the case of a number of freight tariffs need some relief. If they had some relief, they would be able, to a considerable extent, to enlarge their operations and industries, and would, in a large measure, dispel the great amount of unemployment now existing in certain localities; but, on account of excessive rates, both freight and express rates, people who were once prosperous have been driven from their farms into poverty and unemployment.

So, regardless of the pitiful condition of the railroads of the country at the present time, there are many instances in many sections where they still do not, as I see, accord justice on behalf of the producers and shippers, and I hope to bring some assistance to them through this amendment.

The PRESIDING OFFICER. The question is on the amendment proposed by the Senator from Florida.

The amendment was agreed to.

Mr. DILL. Mr. President, the Senator from Alabama has just come into the Chamber. His amendment was pending and was laid aside temporarily. I should like to have that amendment stated.

The PRESIDING OFFICER. The question is on the amendment proposed by the Senator from Alabama.

The amendment proposed by Mr. BLACK is as follows:

On page 6, between lines 4 and 5, add a new paragraph to section 7, as follows:

"That beginning July 1, 1933, 6 hours shall, in contracts for labor and service, be deemed a day's work and the measure or standard of a day's work for the purpose of reckoning the compensation for services of all employees. That pending the revision of existing contracts or the making of new contracts between carriers and their employees (in order to provide for the application of the standard of a day's work hereinbefore provided) in the manner required in the Railway Labor Act, neither existing basic rates of pay nor any other measures of compensation as fixed in existing contracts shall be altered except by written agreement of the contracting parties. But in the absence of such an agreement the provisions of this act shall not be construed to authorize any reduction in the compensation of employees subject to this act.

"The act entitled 'An act to establish an 8-hour day for employees of carriers engaged in interstate and foreign commerce, and for other purposes', approved September 5, 1916, is not hereby repealed, but the operation thereof is hereby suspended so long as the foregoing requirements of this paragraph shall remain in full force and effect."

Mr. DILL. Mr. President, let me make a statement, if I may. I am authorized by the President to say that he considers that this 6-hour-day amendment is unworkable as it would be applied under this emergency legislation. He believes that it would be ruinous to the purposes of the bill. I have explained this attitude which he has expressed to me to the representatives of the railroad employees, and, while they favor this amendment and would like to see it adopted, they are anxious to cooperate with the President and not do anything that will seriously interfere with the President's efforts to try to remedy the railroad problem which now confronts the country and the transportation industry. Because of these representations, I understand from the representatives of the railway employees that they are willing to have the amendment withdrawn.

Mr. BLACK. Mr. President, as is well known, I favor a 6-hour day as a normal day in industry throughout this Nation. I desire to make two or three statements with reference to the situation in connection with this particular amendment.

Some time ago I offered a bill providing for a 6-hour day for railroad employees. There was a division among the

railroad employees as to that particular measure. That division, however, was removed several days ago when they agreed upon the amendment which I stated day before yesterday that I would offer as an amendment to the pending bill.

Mr. President, I do not agree that the 6-hour day is not workable as applied to the railroads. I think it is, and I think it should be adopted. We are told that under the industrial control bill it is the idea that industry in general will adopt the 6-hour day. If that shall prove to be so, industry in general will be working under a 6-hour day, while the railroad employees will be working under an 8-hour day, authorized by law. That I believe to be unfair.

I do not agree, in the next place, that the wages paid to the railroad workers are in any way responsible for the present plight of the railroads. I placed in the RECORD this morning figures showing that that is not the case. I showed, as the statistics themselves show, that the labor cost of operation for 1,000 ton-miles in this country has decreased from the year 1920 to the year 1932 from eighty-two ten-thousandths to fifty-nine ten-thousandths of a cent. It is also true that the fixed charges of the railroads have been gradually going up, while the amount going to railroad employees has been gradually going down. Contrary to the generally accepted idea throughout this Nation, the wage item is not what has brought the railroads to their present plight. Their dividends have increased. I do not mean that many of them are paying dividends this year, but their dividends have increased out of all proportion to their wages.

I want to say, furthermore, that today there are less than 1,000,000 railroad employees while in 1920 there were more than 2,000,000, and the ratio of the fixed charges and dividends to pay rolls was 24.4 in 1920, whereas it has gone up to 50.8 in 1932. That is conclusive proof that the trouble with the railroads is not due to wages.

I am making this preliminary statement by reason of the request that has been made by the railroad brotherhoods.

I do not believe this country is going to get out of its plight until it increases the amount that goes to labor on the farm and in the factory and decreases the amount that goes to the employer and to capital. It is my judgment that any program that fails to take this into consideration will fail. The statistics show that while dividends have been going up wages have been going down. I placed in the RECORD some time ago a statement that showed that the dividends in 1929 were on a basis of 160 as compared with those in 1926, while wages were on a basis of 37, showing the difference.

Mr. President, the particular amendment which I offered was agreed to by the railroad brotherhoods, the 21 organizations; it was brought to me, and it was asked that I offer it as a substitute for the 6-hour day bill which I had previously offered for the benefit of the railroad employees. Under the circumstances, contrary to the views entertained by those who are here representing those 21 railroad organizations who agreed upon this measure, I do not feel justified in offering it as an amendment to this bill. I believe it would be adopted by the Senate and by the House and should become a law.

I still maintain that until we enact real legislation with teeth in it which will bring about a readjustment of economic conditions in this country, so that the people who live on the farm and those who work in the factory and industries generally will receive their just portion of that which is produced from their own efforts, we will never get out of the present economic depression. I still believe that we have got to establish a shorter working day in this country in industry before we will arrive at any actual recovery from present conditions. We cannot depend on a speculative recovery; we cannot depend on an increase in the value of stocks. In order to get out of this depression and to prevent a recurrence, the system must be so operated that the disparity between the wages of capital and the wages of labor will not be so great.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. BLACK. I yield to the Senator.

Mr. WHEELER. Speaking of speculation, I just happened to pick up a newspaper and notice that Union Pacific went up 10 points today. That is one of a number of railroads whose stock has been booming largely because of the fact that it was expected this bill would probably pass.

Mr. BLACK. Mr. President, I desire to say with reference to the representatives of the 21 brotherhood organizations that they stated to me that they favor the 6-hour day, and they do not favor it any less today than they did when they brought this amendment to me, which, as they considered it, was a perfected draft of the measure which I previously presented to this body. They believe that there are some provisions in this bill which are absolutely necessary to protect them from the disastrous results that might flow from cutting off thousands more of railroad employees under a merger or consolidation system, and personally I do not feel justified, contrary to their request, to offer this amendment; and therefore I shall not press the amendment to this bill, but I desire it distinctly understood that I favor the amendment; I favor such a law and I do not intend to cease trying to bring about a shorter working day in industry and on the railroads.

The PRESIDING OFFICER. The Chair understands the Senator from Alabama withdraws his amendment.

Mr. BLACK. I withdraw it.

The PRESIDING OFFICER. The bill is before the Senate and open to further amendment.

Mr. BORAH. Mr. President—

Mr. DILL. Does the Senator from Idaho desire to offer an amendment?

Mr. BORAH. I desire to make a few remarks.

Mr. DILL. Before the Senator does that I should like to make a request. I ask to have printed in the RECORD at this point an excerpt from the report submitted by the Interstate Commerce Commission to the Senate and House of Representatives on the effect of the 6-hour day in connection with railroad employment.

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

[From report of the Interstate Commerce Commission of Dec. 6, 1932, to the Senate and House of Representatives in response to joint resolution of Congress approved Mar. 15, 1932]

FINDINGS

We are directed by the resolution to report our findings as to "the effect upon operation, service, and expenses of applying the principle of a 6-hour day in the employment of all classes and each particular class of railway employees because of such application." As has been indicated, we have construed the term "railway employees" to include the employees not only of steam railways but also of electric railways, express companies, and sleeping-car companies. The investigation relates to a possible future event, and, therefore, the element of prediction enters in. Methods of operation, speed, and excellence of service, amount of business, and skill in management are among the constantly changing factors which will affect the future. A forecast based on presently available information is all that is possible. We shall make the best forecasts which our judgment permits, indicating in our findings certain important contingencies which may affect their accuracy.

Operation and service: The principle of a 6-hour day can be applied, so far as physical conditions are concerned, without material effect on the operation and service of the several carriers. The effect on expenses, indicated below, might affect operation and service, dependent on revenues. If there were no increase in revenues corresponding to the increase in expenses, the result might be to force abandonment of operation in certain instances, either of entire properties or of parts of properties, through inability to earn operating expenses. Abandonment of entire properties would not be likely to occur, except in the case of certain short-line steam railways and electric railways. In other instances, the effect of insufficient revenues might impair future credit in such a way as to affect operation and service adversely. The latter effect might be overcome in time by improving revenues or by financial reorganizations. We deem it impracticable to forecast the future course of carrier revenues. Obviously, this is dependent upon a great variety of possible factors, by far the most important of which is the economic condition of the country.

Expenses: (a) Assuming the same volume of traffic and operations as in 1930, and assuming no reduction in the then-existing compensation for an 8-hour or other basic day's work, the initial effect would be to increase operating expenses of the carriers collectively, including the express and sleeping-car companies, at the rate of approximately \$630,000,000 per year, or about 14.6 percent of the operating expenses and approximately 22.2 percent of the pay-roll expenses in 1930. However, the compensation of steam-railway, express, and sleeping-car employees was on February 1,

1932, reduced 10 percent by an agreement which expires on January 31, 1933. There was no similar blanket reduction in the wages of electric railway employees, but we understand that there have been various reductions in those wages. If the wage reductions are continued, the above estimate of \$630,000,000 would be reduced to something less than \$570,000,000 per year.

(b) Assuming the same volume of traffic and operations as in 1930 and a reduction in the then-existing compensation pro rata to the reduction in the basic day's work, and excluding road train and engine service from consideration for the reasons given in the preceding discussion, the initial effect would be to decrease operating expenses of the carriers collectively, including the express and sleeping-car companies, at the rate of approximately \$26,000,000 per year, or about 0.6 percent of the operating expenses, and approximately 0.9 percent of the pay-roll expenses in 1930. Allowing for the wage reductions above mentioned, this estimate would be reduced to something less than \$24,500,000 per year.

It will be noted that in the above findings we assume the "same volume of traffic and operations as in 1930." Regarded from the standpoint of the 10-year period ended with 1931, 1930 was a fairly normal year, but whether it can be regarded as representative of a normal future year remains to be seen. Using the same percentages of operating expense, and assuming the same volume of traffic and operations as in the 12 months ended with September 1932, the initial effect would be an increase at the rate of approximately \$414,000,000 per year under the first assumption with reference to wages and a decrease at the rate of approximately \$20,000,000 per year under the second assumption. While the reductions in wages were in effect after February 1, 1932, there were also reductions in commodity prices which affected the operating expenses in the 12 months ended with September 1932 as compared with the operating expenses in 1930. We do not as yet have sufficient detailed information in regard to operating expenses in the more recent period to determine whether use of the same percentages as for 1930 produces fair estimates. Changes in operations and methods of performing work, as well as changes in wages, might affect the percentages. Probably, however, the estimates of \$414,000,000 and \$20,000,000 above given are both somewhat too high, if wage reductions are to be continued.

It will also be noted that in these findings we speak of the "initial effect." It is our belief that the increase in expenses at the outset under the first wage assumption would gradually be lessened and that the decrease in expenses at the outset under the second wage assumption would gradually be increased, as the result of experience with the proposed new arrangement and by technological developments.

It will finally be noted that our estimates, based on the same volume of traffic and operations as in 1930 and the then existing compensation, are somewhat less than those submitted by the carriers. The carriers' estimates of increased expenses, prorated, to operating expenses, were, assuming no reduction in basic day's pay, as follows:

Class I railways and class I switching and terminal companies.....	\$620,438,577
Other steam railways and other switching and terminal companies.....	21,342,145
Electric railways.....	23,190,157
Railway Express Agency.....	24,067,681
Southeastern Express Co.....	618,373
Pullman Co.....	12,752,022
Total.....	702,408,955

Upon the basis of our total estimate of \$630,000,000, the above amounts would be substantially as follows:

Class I railways and class I switching and terminal companies.....	\$556,000,000
Other steam railways and other switching and terminal companies.....	19,000,000
Electric railways.....	21,500,000
Railway Express Agency.....	22,000,000
Southeastern Express Co.....	500,000
Pullman Co.....	11,000,000
Total.....	630,000,000

Attention is again called to the fact that these figures are based upon the compensation paid in 1930.

Our reductions are a matter of judgment and are due to the impression which we have gained from the evidence that the carriers have probably underestimated somewhat the rearrangements of work and other expedients which could immediately be employed to limit the effect upon expenses. The reductions are, therefore, more or less arbitrary and cannot be supported by any definite mathematical computation. Experience would, we believe, disclose the practicability of still other rearrangements and expedients, and the amount of added expense, assuming no reduction in basic pay, would also be reduced gradually by the further development of mechanical labor-saving devices and other technological improvements. The added expense would, no doubt, stimulate such development. The only way in which, in our opinion, a more accurate advance estimate could be made of the effect of the application of the principle of a 6-hour day would be by an actual test on some representative railroad or section of a railroad, or by intensive field studies conducted by representatives of the carriers and employees jointly, preferably under the supervision of this Commission.

The effect, so far as expenses are concerned, in the case of each class of employee is sufficiently indicated in the various appendixes, allowing for the fact that we have reduced the carriers' total figures somewhat.

In addition to the effect upon operating expenses, there would be an effect upon construction expenses, insofar as the carriers' employees are used on construction work. Such minor additions to construction expense, however, would have an insignificant effect upon interest charges or dividend payments. Moreover, the amount of construction work which will be done in the future is problematical. At present comparatively little is being done.

Upon either basis of compensation the application of the principle of a 6-hour day would render necessary between 300,000 and 350,000 additional carrier employees in a year such as 1930 and between 60,000 and 100,000 additional employees in a year of abnormal economic conditions such as now exist.

By the Commission.

[SEAL]

GEORGE B. MCGINTY, Secretary.

Mr. BORAH. Mr. President, I apprehend there will be no roll call on the passage of the bill. It is slated to pass and I have no desire to unnecessarily delay its passage. I wish to state briefly why I vote against the bill. On page 13 of the bill I find in section 10 the following provision:

SEC. 10. (a) The carriers or subsidiaries affected by any order of the Coordinator or Commission made pursuant to this title shall, so long as such order is in effect, be, and they are hereby, relieved from the operation of the antitrust laws, as designated in section 1 of the act entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes", approved October 15, 1914, and of all other restraints or prohibitions by law, State or Federal, other than such as are for the protection of the public health or safety, insofar as may be necessary to enable them to do anything authorized or required by such order made pursuant to this title: *Provided, however*—

Then there is an exception with reference to the Labor Act. As I understand the provisions, the coordinator may permit any merger or combination or consolidation or any restraint of trade that he may see fit to permit. His order suspends the antitrust laws.

Mr. DILL. Mr. President—

The PRESIDING OFFICER. Does the Senator from Idaho yield to the Senator from Washington?

Mr. BORAH. I yield.

Mr. DILL. I do not know whether the Senator was here when the Senator from Michigan [Mr. VANDENBERG] brought up the same question. I called attention then to the fact that the language used here is the same that is in the present law relating to consolidation and pooling arrangements by the Interstate Commerce Commission.

Mr. BORAH. But a different authority passes upon the question. I regard it as wholly different from present law.

Mr. DILL. But the Interstate Commerce Commission is still authorized to pass on all those acts of the coordinator on appeal by any interested party.

Mr. BORAH. Yes; I understand that; that is, in case the parties take an appeal then the Interstate Commerce Commission may pass upon it. After the coordinator has decided upon a merger or consolidation the taxpayer may appeal and get a vast amount of experience for his trouble.

On page 19, in connection with the section which I have just read, I find the following:

(4) (a) It shall be lawful, with the approval and authorization of the Commission, as provided in subdivision (b), for two or more carriers to consolidate or merge their properties, or any part thereof, into one corporation for the ownership, management, and operation of the properties theretofore in separate ownership; or for any carrier, or two or more carriers jointly, to purchase, lease, or contract to operate the properties, or any part thereof, of another; or for any carrier, or two or more carriers jointly, to acquire control of another through purchase of its stock; or for a corporation which is not a carrier to acquire control of two or more carriers through ownership of their stock; or for a corporation which is not a carrier and which has control of one or more carriers to acquire control of another carrier through ownership of its stock.

I am frank to say that I would be glad to be corrected if I am in error, because I have not had the time to consider it that one would like to have. As I understand, under the bill by authority of the coordinator and the authority of the Interstate Commerce Commission upon appeal any combination or any merger may take place which, in their judgment, may be deemed proper; that the Sherman antitrust law and all laws inhibiting combines or monopolies, so far as railroads are concerned, or the ownership of one railroad

by another, are suspended if, in the judgment of the coordinator and the Interstate Commerce Commission, it is deemed proper to have it so. That I understand to be the bill.

Mr. President, I am not quite ready to authorize either the Interstate Commerce Commission or the coordinator, or both of them, to authorize any combination which they may see fit to have in this country so far as railroads are concerned.

Mr. DILL. Mr. President—

The PRESIDING OFFICER. Does the Senator from Idaho yield to the Senator from Washington?

Mr. BORAH. I yield.

Mr. DILL. I think the Senator is in error when he says that this will broaden the powers of consolidation. The section to which he has referred and which he has read will give the Commission power to control consolidation either by holding companies or by any other means that may be conceived for that purpose. The right of consolidation, the terms of consolidation, as I understand it, are not changed from the present statute, but only the power of the Commission to prevent or at least control consolidation, over which now it has no control because of the creation of holding companies and because of other devices that might be developed which are not touched upon in the law.

Mr. BORAH. Is it not true that if the bill becomes a law the coordinator and the Interstate Commerce Commission may permit any combination or any merger or consolidation between or among the railroads of the country?

Mr. DILL. I would say not; only in their discretion as the public may be interested, and they have that power now. That is a power that now exists.

Mr. BORAH. And from their judgment there is no appeal, as I understand the bill.

Mr. DILL. I may remind the Senator that the Interstate Commerce Commission has outlined certain plans of consolidation. Those plans have been published. There is nothing in the bill that enlarges their power or their right to permit consolidations.

Mr. BORAH. As I understand it, and as I understand those who are interested in the bill, it is that, by authority of the coordinator and the Interstate Commerce Commission, an appeal from any consolidation which they approve is permissible under the laws of the United States, when this bill is enacted into law.

Mr. DILL. There is nothing in it that is not now permissible. The difference between the existing law and this bill is that under the existing law consolidations are being carried out by holding companies which are formed and which are beyond the control of the Interstate Commerce Commission, such as the Pennroad and the Alleghany Corporation, which go out and buy railroad stocks and issue securities without any control on the part of the Commission. The reason for amending those sections of the law is not to enlarge the powers of the Commission for consolidation but to give the Commission power to prevent consolidations over which it has no control whatsoever now.

Mr. BORAH. Putting it another way, then, I suppose the Interstate Commerce Commission could authorize the consolidation of two main roads running west. It would be permissible under the bill, as I understand it.

Mr. DILL. It will be permissible just to the extent that it is permissible now under the law. The Senator will recall that about 2 years ago there was a proposal to consolidate the Great Northern and the Northern Pacific, and the Commission did not permit that consolidation.

Mr. BORAH. I understand that; but we are continuing on the statute books the authorization to make any consolidation which appeals to the judgment of the coordinator if no appeal is taken.

Mr. President, I shall not detain the Senate longer, but I shall vote against the bill.

Mr. TRAMMELL. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Idaho yield to the Senator from Florida?

Mr. BORAH. I yield. But before doing so may I say there are other questions of great moment presented by

the bill, but they are constitutional questions, and I would not offend by discussing constitutional questions in connection with one of these emergency measures.

Mr. TRAMMELL. In the very hurried observation of the measure which I have made it occurs to me that probably this would depend absolutely upon the decision of the coordinator, unless an appeal was taken before the effective date of that order or somebody attacked the order prior to that time. The provision I find in the bill is that if the coordinator makes an order and it is not attacked prior to the date of becoming effective, then the door is closed and the coordinator controls the situation, even without it being reviewed by the Interstate Commerce Commission. The Commission has a right to review it only if the order is attacked prior to the date of its becoming effective. It leaves it absolutely within the control and operation of the coordinator, unless someone attacks it within a period of 20 days.

Mr. DILL. In less than 20 days. No order can go into effect in less than 20 days.

Mr. TRAMMELL. The position taken by the Senator from Idaho, I believe, in consideration of those provisions, possesses even greater merit and force than it did upon the premise upon which he argued that this provision should not be in the bill. I heartily concur with the Senator.

Mr. BORAH. Mr. President, fundamentally, as I understand the bill, it authorizes consolidation upon the approval of the coordinator. If the coordinator approves and an appeal is not taken his judgment is a final judgment. In practical effect it will allow the coordinator to permit any combination or consolidation of railroads, and if someone does not see fit to appeal within the time, his judgment alone stands. If someone does appeal, then the Interstate Commerce Commission may review it. That is my understanding. As a practical proposition, as a workable proposition, it authorizes the coordinator to authorize these consolidations and the chances of taking an appeal and reviewing his order are very remote indeed.

Mr. DILL. The last words of the Senator, I think, are hardly justified, because the right of appeal is so broad that I can hardly conceive of any kind of consolidation from which somebody will not appeal.

Mr. BORAH. The shippers, the users of railroads, and that class of people who may be most directly and effectually affected by the order, will be embarrassed to take an appeal under any circumstances and they will hesitate to do so. I do not think consolidation ought to take place upon the judgment of one man dependent for its review upon the proposition that some user of the railroad may see fit to take an appeal.

Mr. CONNALLY. Mr. President, I understand that in this bill the recapture clause is in effect repealed; that the effect is to acquit the railroads of an indebtedness to the Government of something like \$300,000,000 created under the old Transportation Act of 1920 whereby the railroads are supposed to have a certain percentage, and all above that was to be divided between the railroads and the Government, but that in this bill a retroactive provision is carried which releases the claim the Government has against the railroads to the extent of something like \$30,000,000.

Mr. DILL. Mr. President, the Commission has estimated it to be \$342,000,000, but all of that is in dispute. The rules of valuation have been changed from time to time by the Supreme Court, and every time the Supreme Court changes the rule of valuation then the whole railroad system must be revalued in accordance with new and changing principles which they have written. Every one of the railroads is contesting and opposing the valuations that are being made and changed, and then they propose to carry the matter to the court for review. The law has been in operation for more than 12 years, and in all that time slightly more than \$10,000,000 has been paid in. The result is that the Interstate Commerce Commission is in such a maze of confusion, in such a maze of valuation problems, involved in such an almost endless task of trying to work the thing out, that

for 3 years they have been asking Congress to repeal the law and put the railroads on some other basis of rate making.

Mr. CONNALLY. I have no objection to the provision so far as it may operate in the future, but I do not agree to the plan of arbitrarily releasing a claim of something like \$342,000,000, which the Government has against the railroads.

Mr. DILL. But this is not a Government claim. Under the law the money is to be turned over to the Interstate Commerce Commission as found to be due, and used by the Commission to assist the weak roads. It does not belong to the Government. It does not belong to the other railroads. It is to be used by the Interstate Commerce Commission for the purpose of assisting the weak roads. There again the Commission has never been able to determine just how to use it.

Mr. CONNALLY. I do not agree, simply because the railroad companies, which were prosperous and made money in prosperous years, are not resisting those claims, that they should thereby be acquitted of them. I simply wanted to express my views with regard to that particular provision in the bill.

The PRESIDING OFFICER. The bill is before the Senate and open to amendment.

Mr. TRAMMELL. Mr. President—

The PRESIDING OFFICER. If there be no further amendment to be proposed, the question is on the engrossment and third reading of the bill.

Mr. TRAMMELL. Mr. President, I have a right to the floor. There is no use of attempting to use any such tactics as those to deprive a Senator of the right of expressing himself or presenting an amendment in regard to the bill.

The PRESIDING OFFICER. The Senator has that opportunity.

Mr. TRAMMELL. I think the Senator from Texas [Mr. CONNALLY] is entirely correct. I had intended to call attention to the same provision, and I do not propose to be excluded from that privilege. Under the rules of the Senate, I have the right.

I move that the bill be amended by striking section 206 from the bill. That is the provision of the bill which provides for refunding to the railroads the money accruing under the recapture clause.

The railroads of this country for months and months and years and years have been knocking at the doors of Congress, seeking to have this money refunded to them; but, standing upon its own merits and as a separate and distinct proposition, they have never before been able to induce a majority of the Senate or of the House to favor any such policy. Yet in one of these catch-all bills, where we are trying to give them every possible relief, an effort is being made to put this legislation over as part of a measure that may have some commendable features.

I do not think the railroads are entitled to the fund. They should not have it. At the time this recapture clause was enacted Congress was exceedingly liberal with the common carriers of the country—so liberal and generous in regard to the percentage of return it permitted them to make, and the rates they were permitted to promulgate, that a good many Senators who were here at the time, including myself, voted against the bill. That bill provided, according to my recollection, that the railroads were entitled to earnings of 5 percent. Prior to that time, the history of the railroads of the country, at least for a number of years, had been that upon their gross capitalization or valuation they had not made over 2 or 2½ percent. But Congress in its generosity after the war, many of its Members desiring to see the railroads prosper, and prosper at the expense of the producers and of the industries of our country generally, enacted a law giving them the right to increase their rates to the extent of 5 percent net. The result was that throughout the country the rates were raised anywhere from 30 or 40 percent to as much as 100 percent within 60 days after the enactment of that law.

Mr. LONG. Mr. President—

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Louisiana?

Mr. TRAMMELL. When we were dealing so generously with the railroads—

The PRESIDING OFFICER. The Senator declines to yield.

Mr. TRAMMELL. I will ask the Senator from Louisiana to pardon me a minute.

When we were dealing so generously with the railroads, and passing a law—which I did not vote for, I am glad to say—giving the railroads everything they wanted upon their return to private ownership, 80 or 90 percent of it, a railroad-written and railroad-prepared bill, they said they were willing to have this recapture clause inserted in the bill. If they could make that percentage of earning they had no objection to giving back to the Commission a certain percentage over and above that amount.

The railroads went ahead and enjoyed their prosperity, and I am glad of it. I am sorry, however, that their prosperity resulted from the charging of excessive rates to a large part of the people of the country. They did enjoy their handsome incomes, however, their splendid dividends, for a number of years. The railroads of America were exceedingly prosperous for a period of some 10 or 12 years after the enactment of that beneficent law, known as the "Esch-Cummins law", in behalf of the railroads. Now, after they have received their benefits, after they harvested their fruits under that beneficent law, as they did for years and years, I do not think there is any equity or justice in turning back this money to the railroads of this country; and I therefore move to strike out that section of the bill.

I may be mistaken, but I refer more particularly to paragraph (a). As to paragraph (b), I should like to know from the chairman of the committee what that means in regard to having a new set-up as to war profits and excess profits and one thing and another made by the railroads.

Mr. DILL. Mr. President, I will say to the Senator from Florida that that paragraph was inserted by the committee because if this money was to be returned to the railroads they ought to be charged taxes on it, for they have paid no taxes, on the theory that it was being collected by the Government. Yesterday, however, the Senate did not agree to that amendment, for the reason that it might be considered a revenue-producing amendment, and thereby cause the House to reject the bill; so that has gone out.

Mr. TRAMMELL. Then my motion to amend by striking out section 206 applies only to the matter I have discussed.

Mr. DILL. Yes.

Mr. President, I do not desire to enter into any lengthy argument on this subject, but I wish to call attention to the fact that for the past 2 or 3 years the Interstate Commerce Commission has recommended the repeal of section 15a, both as to the future and retroactively, and that, so far as I know, none of those who are connected or actively associated with the railroads are opposing that repeal.

This provision is favored by the shippers; it is favored by the railroads; it is favored by the State railway commissions; it is favored by the representatives of the railroad employees; and it is favored by the security holders.

The present rate-making rule has been the most unsatisfactory part of the Interstate Commerce Act. The Senator himself has testified to the objections to that rule. If we repeal this recapture section, we find the Interstate Commerce Commission with about \$13,000,000 in its possession, a little over \$10,000,000 having been received from the railroads and invested in Government obligations, the interest on them being sufficient to raise the amount to \$13,000,000. We then have the claims of the Interstate Commerce Commission against the railroads, which, as I said awhile ago, must be litigated; but before they can be litigated the Interstate Commerce Commission must go on spending I do not know how many millions of dollars working out a change in the valuations resulting from the recent decision of the Los Angeles Gas & Electric Co. case, where the court

changed the rule of valuation from the rule laid down in the O'Fallon case.

The railroads have pending an appeal from the valuation made by the Interstate Commerce Commission in the Richmond, Fredericksburg & Potomac Railroad Co. case, and nobody knows what the Court will decide about that. As we look into this situation, there is nothing ahead but literally years of expenditure of money by the Interstate Commerce Commission, first to determine the valuations in accordance with the rule of the Supreme Court, which seems to change every time the personnel of the Court changes, and then in the litigation that will follow by the railroads fighting against the claim that is made. Then, when we have won the suit, if we do win it, and we go to collect the money, unless the financial conditions of the railroads improve there will not be any money with which to pay the amount, and they will have to borrow money to do so.

Mr. TRAMMELL. Mr. President, may I ask the Senator a question?

The PRESIDING OFFICER. Does the Senator from Washington yield to the Senator from Florida?

Mr. DILL. I yield to the Senator.

Mr. TRAMMELL. On this question of valuation, if we give the railroad back all of this money, the valuation stops, does it?

Mr. DILL. Yes; that is, the present method of valuation.

Mr. TRAMMELL. Does not the Commission have to have a system of valuation for the ascertainment of the value of the property for rate-fixing purposes?

Mr. DILL. Yes; but the difference is this: The valuation now must be kept up to date every year. It must be reviewed every year for the purpose of determining whether or not, under the new valuation of that year, the railroads will be getting more than 5¼ percent on their valuation. The rule of valuation is much broader under the new rate-making provision, and the Commission has much more freedom and discretion in making rates than it has under section 15a.

Mr. TRAMMELL. It strikes me that if we have to maintain a system of valuation anyway for rate-making purposes, and that will not be discontinued by giving the railroads three or four hundred million dollars, we might let the claim remain in statu quo, instead of giving them the three or four hundred million dollars at the present time. That is what I want to do—let it stay in statu quo.

Mr. DILL. Of course, we will not be giving them any money, because there is not any money to give them. They have never paid any money except the \$10,000,000. They have not paid the \$300,000,000, and they are contesting every dollar of it.

Mr. TRAMMELL. We will give them, though, what the Government believes to be a claim of approximately \$340,000,000.

Mr. DILL. Yes.

Mr. TRAMMELL. We wipe the slate and give that to them. The Government contends that the amount is about \$340,000,000.

Mr. DILL. I remind the Senator that in the O'Fallon case the Government lost. We did not win that suit, and it has gone back for revaluation. It has not been settled yet.

Mr. TRAMMELL. If that is true, what is the necessity of making a specific provision in this bill to give it to them?

Mr. DILL. Simply to put a stop to the endless fight over valuations and over this claim proposition.

Mr. TRAMMELL. I have been impressed that the fight has been principally on the part of the railroads trying to be relieved of this honest debt, which they agreed to when Congress passed the character of legislation that they wanted following the war.

Mr. DILL. Of course this provision was not put in at the request of the railroads. It was put in at the request and suggestion of the security holders.

Mr. TRAMMELL. I know what it was, of course. The security holders probably stood just as high with Congress as the railroads. Security holders usually get about what they want in the way of legislation.

Mr. DILL. The truth of the matter is that this method of making rates was never advocated by the Interstate Commerce Commission, by the railroads, by the shippers, by the employees, or by anybody except the security holders. It is a theory which has proved most unsatisfactory from the hour it was first adopted.

Mr. TRAMMELL. The thing that proved very unsatisfactory to most of the 120,000,000 American people about the theory in the particular bill of which this provision was a part was that Congress allowed the railroads to make rates that were excessive, and they made profits that were excessive for a certain length of time, and flourished as the green bay tree for a number of years under the liberal provisions for rate making which Congress granted them. So the principal complaint I ever heard of was from the people who had to suffer under the burden of excessive rates as the result of that litigation.

Mr. DILL. I remind the Senator that in the 12 years, taking it all together, the amount involved is an average of less than \$30,000,000 a year.

Mr. TRAMMELL. This was a part of that legislation. This, no doubt, was an inducement for a number, at least, of Senators and Congressmen to support the legislation. However, I did not support the legislation. I did not care to support legislation that was going to allow an excessive rate of return upon railroad stocks when we knew, everybody that had ever observed or cared to see—of course, nobody is so blind as the man who does not want to see—that the railroad stocks of the country were largely watered. We had before us then, even more vividly than we have now, the methods of Harriman in building and pyramiding his millions upon millions by watered-stock railroads; and yet we allowed them as much as 5 percent then on all that stock. This provision was a part of that legislation; and, as I say, I dare say that this provision, at least on the part of those who prepared the measure in the main, was placed there for the purpose of catching some votes that they did not think they would get unless they had a provision of this character in the bill.

I do not think it is just right, now, to dump over into their laps the claim of \$342,000,000. That is the reason why I have made the motion to strike this section from the bill.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Florida [Mr. TRAMMELL].

The amendment was rejected.

Mr. DUFFY. Mr. President, I desire at this time to call up two amendments that have been printed and are on the desk of the Presiding Officer.

I ask to have the first amendment stated.

The PRESIDING OFFICER. The first amendment offered by the Senator from Wisconsin will be stated.

The CHIEF CLERK. On page 14, line 19, immediately before the period, it is proposed to insert a comma and the following:

And shall afford the State commission or Governor so notified reasonable opportunity to present views and information bearing upon such contemplated order.

Mr. DUFFY. I understand the Senator in charge of the bill is willing to accept the amendment.

Mr. DILL. Mr. President, this is an amendment simply to give notice to the Governor or the State commission that they may be given opportunity to present their views. I do not see any objection to the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. DUFFY. I propose a second amendment, Mr. President, which I ask to have reported.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 18, line 17, immediately before the period, the Senator from Wisconsin proposes to insert a comma and the following:

But no such order shall operate to relieve any carrier from the effect of any State law or of any order of a State commission made thereafter.

Mr. DUFFY. Mr. President, the section provides:

This title shall cease to have effect at the end of 1 year after the effective date, unless extended by a proclamation of the President for 1 year or any part thereof, but orders of the coordinator or of the Commission made thereunder shall continue in effect until vacated by the Commission or set aside by other lawful authority.

What I am trying to reach is this: In Wisconsin we have, and have had for many years, an effective railroad commission, now called the public-service commission. Many other States likewise have very efficient commissions. There are many problems coming up of local concern, and it seems to me it might well be that, after the period of this emergency is over, they might not be in a position where they would be able to give orders in a comparatively local situation without coming down to Washington and getting some relief.

It has been suggested that perhaps the language of the amendment I propose is too broad. I have no particular desire to have any certain words used, as long as it will liberalize the bill as it now appears after the period of the emergency is over.

The Senator from Washington [Mr. DILL] had a suggestion to make as to changing the language of the proposed amendment.

Mr. DILL. Mr. President, on further consideration it seems to me that this is an unworkable amendment, for the reason that if the amendment is adopted the railroads will be in this position: The orders of the coordinator will be obeyed after the act expires, except as they may interfere with the order of a State commission or some State law. It seems to me that that makes it unworkable. We cannot do that. We either must make all of the order cease to have effect or we must not have any part of it cease to have effect. It seems to me the amendment is not a workable amendment when applied to this part of the bill, and I do not see how the amendment can be adopted without interfering with the operation of the bill.

Mr. DUFFY. It is an amendment that is desired by the Association of Public Service Utilities Commissions, as I understand it. I was so informed.

Mr. DILL. I think that is a part of their proposal, that none of these orders shall remain in effect after this title is no longer in effect. In other words, I think they want it so that none of these orders shall continue in effect, but the committee has retained the language of the bill so that all of these orders shall remain in effect until changed by the commission or set aside by some lawful authority.

Mr. DUFFY. Then what would be the situation? Is the State commission to be rendered powerless for all time to come, unless they come down here to Washington and get authority from the proper official?

Mr. DILL. No; the only other lawful authority, of course, will be Congress. They might come to the Commission and get relief, if they could show a sufficient need. But I hope the Senator sees my objection, namely, that either all of the order must cease to be effective or all of it must continue. We can hardly pick out certain parts of the order.

Mr. LONG. Mr. President, will the Senator from Wisconsin yield to me?

Mr. DUFFY. I yield.

Mr. LONG. What is the understanding of the Senator from Washington as to the power the State commission would have under the law?

Mr. DILL. They cannot interfere with an order of the coordinator or of the Commission, under this measure.

Mr. LONG. It would wipe out the laws of the State?

Mr. DILL. So far as it might affect them. The Commission has that power at the present time.

Mr. LONG. The Senator means over interstate matters.

Mr. DILL. Over all matters of consolidation.

Mr. LONG. Is not the coordinator's power a good deal broader than just over consolidations, under this language?

Mr. DILL. Probably.

Mr. LONG. As I understand it, these executive committees, under the coordinator's jurisdiction, may, with his approval, ignore all State orders and State regulations and State laws?

Mr. DILL. I think not, except as to interstate traffic, and the Commission can do that now.

Mr. LONG. They are taking over the res, the thing itself.

I do not want to take the floor away from the Senator from Wisconsin.

Mr. DUFFY. Mr. President, I do not desire to prolong the debate. The issue is very clear. I think the State commissions should not be precluded for all time to come, as long as these orders of the coordinator are not set aside. It would prevent State commissions from giving the relief they might now give. I think that is improper, after the period of the emergency is over. I do not care to prolong the discussion any more than stating that fact, and asking that the amendment be agreed to.

Mr. LONG. Mr. President, I must confess an ignorance in this matter for which I cannot be excused. I was on the committee, but was unable to attend many of the sessions.

I had received the impression—I do not know how—that an amendment had been drawn, or that it was thought an amendment would be drawn, to protect the authority of the States under this proposed law. But, judging from the fact that the Senator from Wisconsin has offered this amendment, evidently no such thing has been done.

I believe I can turn to the section I had in mind, which I want to read. On page 14 of the proposed law, paragraph (b), this language appears:

(b) The Coordinator shall issue no order which shall have the effect of relieving any carrier or subsidiary from the operation of the law of any State or of any order of any State commission until he has advised the State commission of said State, or the governor of said State if there be no such commission, that such order is in contemplation.

I had hastily run through the measure, intending to bring the matter up; but as I read it we are doing away with State laws and State commissions. I do not see anything else this measure does, because, differing from the way the Interstate Commerce Commission has control over the matter of interstate rates, this measure would give the coordinator all control over the railroad itself, and therefore his orders would be above the laws of the State and the State commission's orders.

I had understood that the State railroad commissions had been satisfied on that matter, and I had paid little attention to it. Having been a member of a State board, I thought perhaps they would have said something to me about it; but apparently nothing has been done, and this bill in its present shape is going through, divesting all laws of a State of any effect whatever.

Mr. President, in the States there are grade crossing laws, there are yard limit laws, there are State laws as to depots, and there are State laws as to the keeping of passenger stations, waiting rooms, railroad crossings, and so on, not to say anything of freight rates interchanged with water rates. Every law on the statute books in the States will be wiped out by the authority given into the hands of one man to annul all the laws in 48 States.

Mr. President, unless the proposed amendment is adopted, this will be a very objectionable bill. As a matter of fact, the bill ought never to have been brought into the Congress. It is not going to do any good. The sentiment of labor has been against it until recently they were persuaded by some mysterious move to say that they were for it. Only a day or so ago they indicated that position, the Senator from Washington tells us. I am also told that even the railroads themselves are not enthusiastic about the bill. They do not think it is going to do any good. The kind of economies it would result in would be of very little value, and about the only benefit that would accrue to the railroads from the bill would be through giving them back the recaptured money. A law was enacted in 1920, and included in that law was a provision by which the short-line railroads might

be assisted, the provision being that when the railroads made more than 5½ or 6 percent, the surplus earnings should be impounded by the Interstate Commerce Commission, and thereafter expended to build up the short-line railroads.

Mr. DUFFY. Mr. President, I should like to send up to the desk a modification of the amendment.

The PRESIDING OFFICER. Does the Senator from Louisiana yield to the Senator from Wisconsin?

Mr. LONG. I yield.

The PRESIDING OFFICER. The clerk will state the modification.

The CHIEF CLERK. The amendment of the Senator from Wisconsin is modified to read as follows:

On page 18, line 17, immediately before the period, to insert a comma and the following:

"But notwithstanding the provision of section 10, no such order shall operate to relieve any carrier or subsidiary from the effect of any State law or of any order of a State commission made after this title ceases to have effect."

Mr. DILL. Mr. President, will the Senator from Louisiana yield?

Mr. LONG. I yield.

Mr. DILL. As I understand it, with that language in the law, the State legislatures and the State commissions could make orders setting aside or affecting orders made after this period of emergency was over. It would not interfere during the period of the act, but afterward they could make orders.

Mr. LONG. After the year?

Mr. DILL. After the year.

Mr. LONG. Mr. President, perhaps the amendment originally introduced did not go far enough. As I understand it, the modified amendment would leave the State commissions nugatory during the pendency of the law.

Mr. DILL. Yes; because otherwise they would not be able to make their orders. But the objection of the State commissions was that, at the end of this period, they would have no method of changing objectionable things, and this amendment would make it permissible for them to do that. That was their principal objection.

Mr. LONG. The Senate may proceed and adopt the pending amendment, and then I shall offer another amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Wisconsin [Mr. DUFFY] as modified.

The amendment as modified was agreed to.

Mr. BONE. Mr. President, I should like to ask the chairman of the committee about one matter in the bill. Section 16 as it has been amended provides that the title shall cease to have effect at the end of 1 year after the effective date, and further provides that orders of the coordinator or of the Commission made thereunder shall continue in effect until vacated by the commission of the State or set aside by other lawful authority.

Then in subdivision (4) of the following section there is a provision for the consolidation and merger of the properties of two or more carriers.

Under subdivision (a), section 201, there might be a merger of two or a dozen railroads, and even though the act should become ineffective by expiration, as provided here, that merger would go on perpetually.

Mr. DILL. Mr. President, that is the present law. We have copied the present law. The present law authorizes the Commission to make those consolidations at the present time.

Mr. BONE. Then this does not change the existing statute?

Mr. DILL. No; not in that respect.

Mr. LONG. I propose an amendment to the bill. I will move to put the amendment at the end of the measure, or I can put it on page 14, line 19, after the word "contemplation." I move to insert the following—

Mr. DUFFY. I call the attention of the Senator to the fact that there has been an amendment just adopted after the word "order", in line 19, in which the word "contemplation" occurs.

Mr. LONG. Then, I will move to insert the amendment at the end of the bill. I propose to add a new section to read as follows:

The laws of the several States and orders of the commissions of the several States already in existence and hereafter enacted shall remain in effect unless the same shall be interstate in character.

The wording, Mr. President, may need a little revision, but that can be done in conference.

The PRESIDING OFFICER. The amendment will be stated.

Mr. KING. Mr. President—

The PRESIDING OFFICER (Mr. BARKLEY in the chair). Does the Senator from Louisiana yield to the Senator from Utah?

Mr. LONG. I yield.

Mr. KING. I have not had the opportunity, because of being in committees all day, to listen to the debate on the pending measure nor fully to understand the position of the Senator from Louisiana; but, as I understand, the amendment which he has just suggested has for its object the non-interference by this proposed act with the power and authority of the States which they inherently possess to deal with matters which are within their jurisdiction?

Mr. LONG. Yes, sir; such as railroad crossings and water coolers in depots, and heat in waiting rooms in the winter-time, all of which are maintained by reason of State orders and State laws, and we would not have any of them today if they had been left to the railroads.

Mr. KING. The amendment, if adopted, would mean, then, that nothing in this proposed act shall be construed to repeal or modify the regulations or laws enacted by any State or by its utilities commission?

Mr. LONG. By the order of its commission. That is what it means. I wish to say, Mr. President, that we are going mighty far here. I am sorry that I did not understand this sooner, and I want the Senate to pause a minute and understand before they wipe out about ten or fifteen thousand laws that are on the statute books of the 48 States of the Union. The railroads themselves organize regional committees in accordance with the mileage of the railroads; and those regional committees are given the right to run things subject to the approval of the coordinator, which ninety-nine times out of one hundred or nine hundred and ninety-nine times out of one thousand means that the regional committees are going to run things as they please. The Senator from Washington [Mr. DILL] suggests that the amendment be now read, and I ask that that be done.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. It is proposed to insert at the end of the bill a new section to read as follows:

SEC. 19. The laws of the several States and orders of the commissions of the several States already in existence and hereafter enacted shall remain in effect unless the orders affecting them relate to interstate commerce.

Mr. DILL. They would have that right, anyway.

Mr. LONG. I think so. I think I can say that the amendment is all right. Will the Senator from Washington accept it?

Mr. DILL. I accept the amendment.

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

Mr. NORRIS. I offer the amendment which I send to the clerk's desk, and ask that it may be read.

The PRESIDING OFFICER. The amendment proposed by the Senator from Nebraska will be stated.

The CHIEF CLERK. On page 27, line 19, after the word "service", it is proposed to insert a colon and the following proviso:

Provided, That no such rate shall be greater than will be sufficient to produce a fair and reasonable return upon the prudent investment in the property, less depreciation, or upon an investment necessary to reproduce the property.

Mr. NORRIS. Mr. President, this bill sets up a new method of fixing rates. Heretofore there have been two out-

standing theories; one that a rate should be sufficient to produce a reasonable return upon an amount of money that would be necessary to reproduce the property, the prudent investment theory it is called; the other is that the rate should be sufficient to produce a reasonable return upon the investment in the property.

Mr. DILL. Mr. President, I think the Senator misstates his own meaning. He means, in the one case, upon prudent investment, and in the other upon the reproduction cost.

Mr. NORRIS. Yes; that is what I thought I said, and I thank the Senator for the correction.

It seems to me, Mr. President, the adjustment of rates upon either one of these theories, standing alone, might get us into difficulty and bring about an unfair rate. When the value of materials and labor and other things necessary to go into the building of a railroad is on the increase and is higher than it was when the investment was made, naturally it is to the interest of the carrier company to be able to get a return upon the necessary investment to reproduce the property. If the cost of material and labor is less than when the property was constructed, then the opposite is true. It is not unfair, as I look at it, to prohibit the making of a rate not in conformity with the provisions of the amendment. In other words, if a railroad were built 25 years ago at a cost of \$25,000,000 and we were now fixing a rate and found that at the present time it would cost \$50,000,000 to reproduce it, it would follow, it seems to me, that if those who own the railroad should get a return upon \$50,000,000 investment they would be getting a return entirely out of proportion to the investment which they had made originally. On the other hand, if a railroad built 20 years ago has gone down so that its present value is less than what it originally cost, if it originally cost \$50,000,000 to build it, and it is now worth only \$25,000,000, the people of the country who have to use the railroad ought not to be required to pay a rate or charge that would bring a return on a greater amount than the present value of the railroad. It would never do an injury, it seems, to anyone to couple the two together, as I have done in this amendment. It would also bring a fair return if the principle were properly applied. Personally I can not see any objection to limiting the rate of return to a combination of those two principles.

Mr. LONG. Mr. President, will the Senator yield?

Mr. NORRIS. I yield to the Senator from Louisiana.

Mr. LONG. I believe that today the railroads themselves will welcome the amendment the Senator has offered. While they worked so hard to get the reproduction-cost theory, now that prices have gone down I think they would like to land themselves on a sound bottom.

Mr. NORRIS. All right; one can take either horn of the dilemma he wants to, but a railroad could not get a higher rate than is provided by either one of these bases of valuation. In other words, what the Commission ought to do, and would do, would be to say, "What is this railroad now worth?" and also, "How much is invested in this railroad?" It would fix the rate on the least of those two items.

Mr. DILL. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. DILL. I have just read the Senator's amendment and should like to understand it clearly. I am not clear as to what the Senator's purpose is. He says on the "prudent investment * * * less depreciation", or upon reproduction cost. Do I understand that he means to allow the Commission the alternative of selecting which basis it will take or that it must take?

Mr. NORRIS. Oh, no. As I understand, the amendment does not do that. The Commission must take the one that is the least. It cannot be more than this; it cannot be more than that. It cannot be more, in other words, than a return on the reproduction value; and it cannot be more than a return on the investment in the property.

Mr. DILL. That is what I want to have made clear; and if that is the Senator's meaning, I have no objection to the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Nebraska. The amendment was agreed to.

Mr. CONNALLY. Mr. President, I offer an amendment.

The PRESIDING OFFICER. The Senator from Texas offers an amendment, which will be stated.

The CHIEF CLERK. On page 14, after the amendment of Mr. DUFFY, at the end of line 19, it is proposed to insert the following new section:

SEC. 11. Nothing in this act shall be construed to relieve any railroad company from any contractual obligation which it may have assumed with regard to the location or maintenance of offices, shops, or other facilities at any point, and all rights under any such contract shall remain unimpaired.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Texas.

Mr. KING. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. KING. Does the Senator mean by that that specific performance may be compelled when it was discovered that it would be wise to abandon some contract and to pay damages?

Mr. CONNALLY. Let me say to the Senator from Utah I am not trying to effect any change in the status quo; I just do not want this bill to interfere with any contractual rights; they can settle those rights either by specific performance or by damages; but I want to make it clear that this measure does not give the coordinator or the companies any authority which they do not possess at this time.

Mr. DILL. Does the Senator think that it would be possible, even without his amendment, for the coordinator or the Commission to do anything that would interfere with existing contracts?

Mr. CONNALLY. Let me say to the Senator that in my State there have been one or two cases in which the railroad company contracted, when it was being built, to locate and maintain in perpetuity shops and offices in consideration of the grant of lands or money or other considerations. Attempts have been made by the companies to move those shops and abrogate those contracts. Those cases have gone to the Supreme Court of the United States, and the cities have been successful in their contention. From time to time they renew their attempts through the Interstate Commerce Commission to secure the abrogation of those contracts. I hope the Senator from Washington will accept the amendment.

Mr. DILL. I see no objection to the amendment.

Mr. CONNALLY. I hope the Senator from Washington will not object to it.

Mr. DILL. It seems to me the Supreme Court rulings themselves would make it impossible for an order of that kind to be issued. I see no objection to the amendment.

Mr. KING. Mr. President, if I understand the amendment offered by the Senator from Texas, it seems to me it should be adopted. Certainly, obligations which have been entered into between transportation companies and States or municipalities should be fulfilled. The Federal Government could not be a party to the repudiation of contracts entered into by agencies or organizations over which it exercises direct or indirect supervision or control.

Mr. President, I regret not having had opportunity to carefully examine the measure before us or read the hearings before the Committee on Interstate Commerce. In the consideration of the bill since it has been before the Senate I have been unable to be present except for a few minutes, owing to important committee engagements which compel my attendance. Owing to the large number of important measures which have been under consideration during this extraordinary session, it has been impossible for Senators to familiarize themselves with the same. Many Senators are compelled to be in attendance at committee meetings of importance during hours when the Senate is in session, and the result is that in the consideration of some measures which have been before the Senate during this session only a limited number of Senators have been present. It may

also be said that the hearings upon important bills have not been as exhaustive as they should have been and have not elicited pertinent facts essential to a proper understanding of the full significance and implications of such measures.

Some of the bills that have been presented to the Senate for consideration are of vital importance. They deal with questions out of the ordinary and, in the view of many, enter fields for which warrant may not be found under our form of government. Policies which deal with economic questions are correlated with political principles, and it is a trite statement that political policies are largely determined by economic policies. I have upon a number of occasions questioned the wisdom of measures which concededly are at variance with economic and political views under which our Nation has reached the importance, if not crowning position, which it occupies among the nations of the earth. In this period of unrest perhaps changes are inevitable. Accepted canons of political and economic conduct are either repudiated or materially modified.

It is to be expected, of course, that political institutions and economic conditions cannot be static or petrified; but changes do not always bring about improvement or are indicative of progress. The Constitution of the United States is sufficiently flexible to meet salutary changes and legitimate and proper evolutionary growth or development. It is not necessary to be iconoclasts in order to tread the highway of economic and political progress. There are those among us who look with disfavor upon political principles bequeathed by the fathers of this Republic and who desire the introduction of alien policies into our social, economic, and political system. Socialism has its devotees; bureaucracy, its faithful adherents; and fascism is not without protagonists. In periods of economic distress, of business depression, and of unemployment there are serious challenges to the existing order and to sound and wise policies which must be followed if the highest forms of civilization are attained.

Not infrequently the statement is heard that we are upon the eve of a social revolution; that the old order is to perish and a new form of government is to be established. The view is entertained by some that the day of individual initiative is past, and that agencies and instrumentalities set up by the governing political authority possess virtues and prescience and infallibility which are denied to individuals, under the guidance of which the problems and difficulties encountered in the economic, social, and political life of the people will be eliminated. Russia has its autocratic authority and each individual is chained to the position to which he or she is allocated. Fascism and socialism are engaged in a formidable struggle to determine which shall triumph. Democratic institutions are menaced here and elsewhere. The word "dictator" is not infrequently heard in this Republic, and apologists appear in defense of propositions to confer authority inconsistent with democratic ideals which have for more than 150 years obtained in this Republic.

The mistakes of capital and the indefensible conduct of some holding high places in the financial world create resentments, and by some are being used to justify powerful assaults upon our political and economic system. No form of government is perfect, and democracy is to be charged with serious mistakes. Undoubtedly there is a world-wide struggle between democratic forces and those which seek autocratic power. This Republic has been an inspiration to peoples in many lands and they have sought to establish political as well as economic systems which would approximate in form and achievement the United States. These observations perhaps are not pertinent to the bill under consideration, but they are prompted by the confused currents of thought which we encounter in nearly every part of the land.

Mr. President, with reference to the bill under consideration, I have reached the conclusion that the situation does not require its passage. That there should be legislation dealing with the problems of transportation there can be no doubt. I was greatly pleased with the admirable address delivered by President Roosevelt at Salt Lake City during

the recent campaign. His speech demonstrated that he appreciated the necessity of legislation to meet in a comprehensive way the questions involved in our transportation systems. The bill before us does not meet the situation or cover the field embraced in the President's address. The President has indicated that he is not ready to make recommendations of a full and comprehensive character in dealing with our transportation problems. The measure before us is a makeshift, and I fear that it will prove embarrassing when we come to deal in a broad and comprehensive way with the railroad situation. Conditions undoubtedly will arise under the operations of the pending measure that will make it more difficult to deal comprehensively and justly with the transportation problems when Congress meets in January.

There are evidences of improvement upon the part of the railroads. It is true that many of them are in a precarious situation, but it is not certain that this measure will bring the relief which they require. As I view this measure, it will add to the perplexities and confusion existing today in our transportation system. Instead of unifying authority and promoting efficiency it will produce the opposite result. The new agencies set up will certainly make for divided authority, and the creation of the so-called "coordinator" will add to the uncertainties and tend to prevent improvements and economies which otherwise would be put into effect.

There will be conflicts of authority which will inevitably result in confusion and impediments to the inauguration of reforms which otherwise would follow under the administration of transportation units. As I understand this bill, it does not deal fairly and justly with the employees of the railroads, nor will it be entirely fair to the owners of the railroads or those holding their securities. The members of the Interstate Commerce Commission have great authority in dealing with the railroads; they are conversant with their condition and alive to the reforms needed and to the rights not only of the stockholders and the public but also of the employees.

I fear that this measure is a step in the direction of governmental ownership and operation of the railroads of the United States. It cannot be denied that some of the policies of the Government in connection with the railroads have tended in the direction of governmental ownership. It is inevitable that when the Government takes supervision over any branch of industry it strengthens the demand for increased governmental supervision and ownership. There are demands being made for the Government to take over and own and operate the key industries of the United States; and, I repeat, that the bill before us will increase the demands for governmental ownership of the railroads of our country. Demands are being made not only for a railroad dictator but for an oil dictator. These demands are significant of a new movement in our economic and political life. More and more the people are looking to the Government to assume duties and responsibilities which rest upon them or upon local communities or upon the States. More and more power is being transferred to the Federal Government and the functions and the authority of the Government are being augmented. It is to be hoped that there will be no political dictatorship, and that the confused condition existing today will not lead the American people from the paths of safety and to an abandonment of those sound political principles which have been transmitted by our fathers.

Mr. FESS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Utah yield to the Senator from Ohio?

Mr. KING. I yield.

Mr. FESS. Does the Senator's objection extend to title II as well as to title I?

Mr. KING. Yes, to both titles. I make this answer in the light of broad and comprehensive legislation to deal with the railroad situation which is expected at the next session of Congress. There is a growing demand for legislation dealing with water transportation, with trucks and with motor transportation, as well as with the railroads. The entire

question must receive attention at the next session of Congress, and I have no doubt that it is the intention of the President to submit to Congress in January recommendations for legislation to meet the situation.

Mr. FESS. I had been under the impression that title I had been the subject of the criticism which the Senator is making.

Mr. KING. Mr. President, perhaps my remarks have been directed rather to title I than to title II, but I am resting my opposition to the bill largely upon the ground that we are not dealing with the question in a broad and satisfactory way; that the proposed measure does not deal with it in a proper and comprehensive way. Congress will have to disregard many and, indeed, repeal provisions found in the bill before us. Because the bill before us does not meet the situation and will, in my opinion, result in confusion and constitute obstacles to normal development which would go forward under the control of the Interstate Commerce Commission, I shall not vote for its passage.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Texas [Mr. CONNALLY].

The amendment was agreed to.

The PRESIDING OFFICER. The bill is before the Senate and is still open to amendment. If there be no further amendments, the question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

TAX EXEMPTION

Mr. BLACK. Mr. President, I ask unanimous consent to have printed in the RECORD an editorial appearing in the St. Louis Star and Times of May 19 entitled "End the Tax Exemption." It is a very interesting editorial. Immediately preceding it, I desire to read the sixteenth amendment to the Constitution, so that it may appear just ahead of the editorial. That amendment to the Constitution reads as follows:

The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration.

The PRESIDING OFFICER. Without objection, the editorial will be printed in the RECORD, as requested.

The editorial is as follows:

[From the St. Louis Star and Times of May 19, 1933]

END THE TAX EXEMPTION

Budget Director Douglas has submitted to Congress four alternative tax plans for paying interest on the \$3,300,000,000 public-works program. President Roosevelt, a little earlier, said that if none of the plans proved acceptable, he would offer one of his own.

This implies that Mr. Roosevelt has a tax plan outside the four. He should have. Not one of the four is likely to be, or should be, accepted by Congress when other and better sources of revenue lie untapped.

Mr. Douglas offers three plans, all of which include large increases in the normal income tax, plus various consumption taxes levied without regard to ability to pay. The fourth is the iniquitous general sales tax.

Not one of these four plans levies one cent of taxation upon the superincomes of the Nation, which are still taxed far below their war-time levels.

It is inconceivable that Congress will accept any of the proposals coming from Mr. Douglas. One might almost believe the taxes were deliberately chosen to insure their rejection, after which Mr. Roosevelt will himself propose the kind of a tax that ought to be levied.

What is that tax?

There is no doubt about what ought to be done. This is the time and the opportunity to get rid of the greatest tax fraud in the United States, the exemption from the income tax of income derived from interest on "tax-exempt securities."

Whenever this is proposed it is said, "That requires a constitutional amendment."

It requires nothing of the sort. It requires an income tax law written in the exact wording of the United States Constitution. Why do we have this exemption from the income tax? In purpose and effect today, it exists to give men with incomes of \$500,000 a year and up a chance to dodge the higher brackets of the income surtax. Why do we have this exemption in our so-called "constitutional law"? We have it because, years ago, a reactionary Supreme Court seized upon a poorly worded statute as an

excuse to hold that Congress had no power to levy an income tax upon income derived from State and municipal bonds.

The sixteenth amendment to the Constitution gives Congress power to levy a tax "on incomes from whatever source derived." All that is needed is to pass a law levying a tax of certain specified rates upon "incomes from whatever source derived," and exemption ends. The tax upon income derived from State bonds would then be demanded by the Treasury, and any objecting taxpayer could resist in court.

It is an axiom of law that phrases which are not ambiguous do not have to be construed. There is nothing ambiguous about the sixteenth amendment.

What could a new constitutional amendment say? It would have to give Congress power to levy a tax on "incomes from whatever sources derived, including interest on State and municipal bonds." That would be like levying a tax on "all cereals, including corn."

The question of levying an income tax on all incomes has never been put squarely up to the Supreme Court. It has never been put up to the present liberalized Supreme Court at all. The old decision which gave the surtax dodgers this hole to hide in was not based upon the sixteenth amendment itself, but upon a warped interpretation of the wording of the income tax law. That decision wouldn't have had a leg to stand on if Congress had taken the plain wording of the sixteenth amendment and written it into the law. There isn't one chance in ten that the present Supreme Court would nullify a properly worded law ending this long and notorious evasion of the income-tax principle.

The constitutional objection to taxing income from State bonds is valid only when it is a discrimination against State bonds. It is no discrimination when all sources of income are taxed alike, and no injury to the States.

Within 2 years the Supreme Court has squarely reversed the principle of the old tax-exemption decision in a case coming to it from California. Then why should Congress hesitate? The Supreme Court has virtually invited it to act.

Why beat around the bush looking for rabbits when there is a bear in the open?

Why load more taxes onto the man with a little income, onto every man who buys a gallon of gasoline, onto every man or woman who drinks a cup of tea or coffee, when billions of dollars of absolutely tax-free wealth are concentrated in the hands of a few men protected by an outworn decision of an outdated bench?

The Constitution is clear. Make the act of Congress as clear as the Constitution and the income surtax-dodging racket will end. For more than 15 years it has been the crowning shame of the American tax system. The time has come to get rid of it.

THE SHIPPING BOARD

Mr. MCKELLAR. Mr. President, I ask unanimous consent to have printed in the RECORD a copy of a letter addressed to the Honorable WALLACE H. WHITE, junior Senator from Maine, by Mr. John Nicolson concerning Shipping Board matters. I have spoken to the Senator from Maine about the matter, and he has given his consent.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MCKELLAR. Mr. President, I ask unanimous consent to have printed in the RECORD a copy of a letter addressed to the Hon. WALLACE H. WHITE, junior Senator from Maine, by Mr. John Nicolson, concerning Shipping Board matters. I have spoken to the Senator from Maine about the matter, and he has given his consent.

The PRESIDING OFFICER. Without objection, it is so ordered.

The letter is as follows:

WASHINGTON, D.C., March 25, 1933.

HON. WALLACE H. WHITE, JR.,
United States Senate, Washington, D.C.

DEAR SENATOR WHITE: On June 20, 1932, you said in the Senate of the United States:

" * * * this table was prepared not by the Senator from Tennessee but by a discharged employee from the Shipping Board, and I say to the Senate that there is hardly a truthful or accurate statement in the three pages making up this report."

The "table" to which you referred is a tabulation in the CONGRESSIONAL RECORD of May 27, 1932, having this caption: "Statement of loans by the United States Shipping Board at interest rates lower than 3½ percent. Compiled May 1932 from official statements of the Board by John Nicolson." I, as the compiler, am therefore the person to whom you referred. Though made late June, your comment was unknown to me until late in January 1933. I read the CONGRESSIONAL RECORD currently, but your speech was not in the then current number; it appeared later in the Appendix, and, as stated, I did not know it until recently.

Concerning the tabulation, you said: "There is hardly a truthful or accurate statement in it." This tabulation presents eight columns of data. Let us dismiss from further consideration the eighth column, for it presents mere simple interest computations, based on factors presented in the preceding columns; these computations, of course, anyone can make; it is substantially correct.

Now, as to the seven columns thus really involved in your comment, these contain basic data. The first three of these are data originating in the Shipping Board. All the others, viz, columns 4, 5, 6, and 7, relate to Federal securities involved in fixing interest rates on construction loans. These data originate in the Treasury Department. You say of it: " * * * there is hardly a truthful or accurate statement in them."

Hon. Ogden L. Mills, Secretary of the Treasury, was requested to have these columns checked up, and by letter dated February 4, 1933, he certifies that all the data in columns 4, 5, 6, and 7 are substantially correct. This covers not only the interest rates certified by the Secretary of the Treasury from time to time, but also descriptive statements of the status and nature of the Federal securities to which they relate—for these have an important, indeed a controlling, bearing on the correctness of the interest rates certified. Of all these the Secretary of the Treasury says:

"I have had the statement checked and find that the information contained therein is substantially correct."

The Secretary notes no exceptions whatever; not one. Will you not kindly read his letter? It is printed in the CONGRESSIONAL RECORD of March 20, 1933, pages 625 and 626.

The data in columns 1, 2, and 3 relate to Shipping Board activities, viz the amounts, foreign-trade interest rates, and length of the loans listed. These also have been re-checked, as set forth in my letter to Senator McKELLAR of March 18, 1933, and also published in the RECORD of March 20, pages 625 and 626. May I not refer you to it as a part of this letter? As therein revealed.

Only in respect to one loan was there error in the work of tabulation, namely, the loan to the Dollar Steamship Co., authorized by resolution of the Board on April 9, 1930, for improving the steamships *President Fillmore* and *President Johnson* (items 18 and 23), and the correction does not involve enough money to affect the accuracy of the statement in the tabulation, that the total interest losses will "exceed" \$22,000,000 compared with interest costs to the United States, and will "exceed" \$18,000,000 even when compared with the subsidizing minimum interest rate fixed by the 1931 amendment, a rate which, when used, itself represents a loss of nearly one half of 1 percent annually.

We now come to your comment: "This table was prepared not by the Senator from Tennessee but by a discharged employee from the Shipping Board." The implication is that the work of the compiler had been influenced by motives which impair that faith in it which might otherwise exist. An almost identical comment has emanated from time to time from the Shipping Board—usually having specially in view Senate Document No. 210, Seventy-first Congress: *The Truth About the Postal Contracts*. You have quoted it, however, in relation to the loans tabulation. This tabulation was made in May 1932. I left the Board in February 1930, and had never before published a criticism of loans by the Board. It would seem that an interval of over 2 years would itself repel the implication you intend. However, please note that this tabulation was made by me only because I was then under professional retainer by a committee of the United States Senate—a relationship which demanded impartial and accurate work. The letters referred to, and especially that from the Honorable Ogden Mills, Secretary of the Treasury, reveal that this professional demand was very substantially met.

The attack on Senate Document No. 210 by Hon. E. C. Plummer, then vice chairman of the Board (see S.Doc. No. 326, p. 31, and the reply thereto, on p. 17), having been ineffective, a "whispering campaign" was inaugurated by certain persons to impair faith in that document, the imputation being that its exposures were prompted by my severance from the Board; whereas precisely the reverse is the fact.

The letters of March 11 and 19, 1929, from the late Senator Wesley L. Jones (printed in the CONGRESSIONAL RECORD of Mar. 20, 1933, p. 629) will reveal to you that I had read in a paper before the Association of American Port Authorities in Houston, Tex., in 1928, relating to this system of contracts. They will also reveal that Senator Jones, who had known something of the writer's work since 1922, happily entertained views very different from the implications of your comments.

The paper Senator Jones mentions was the first of three documents which finally evolved into Senate Document No. 210, Seventy-first Congress, *The Truth About the Postal Contracts*. A southerner myself and having official work under Admiral W. S. Benson, a commissioner from the South, my Houston paper was devoted to the discrimination Southern ports had until then suffered in the award of these contracts. (S.Doc. No. 326, 71st Cong., p. 27, letter to Senator Jones on this subject.)

The second document, the "Analysis of Certain Postal Contracts", was sent to the persons, and under the circumstances, revealed by my letter of November 22, 1929, and that of November 23, 1929, which letters are also printed in the CONGRESSIONAL RECORD of March 20, 1933, pages 626 and 627. I will not go into details, hoping you may read them. The "Analysis" criticizes severely many of the contracts. My first protests were made in May 1928—against the favoritism, the practical exclusion of competition, and the neglect to require adequate new vessels—these protests were to the committee of the Board or its chairman. Then the responsibility was transferred to the committee appointed by the President, and I renewed the criticisms there—as per the letters just mentioned, in November 1929. These earlier activities are mentioned, activities long antedating my severance from the Board, only to reveal how absurd the suggestion is that my cam-

paign against these contracts was the result of my severance—when precisely the reverse is the fact.

I was well aware of the seriousness of the step taken in November 1929 in sending the Analysis and the letter of November 22 to the members of the interdepartmental committee the President had appointed; and even more so, of the letter to the Board charging the Board with responsibility. Concurrently with those letters, I told the Board, by telling Commissioner Smith, that the step had been taken "regardless of consequences" to myself, and repeated these words to him, for emphasis; this of course was tantamount to placing my resignation in their hands. I did not at once more formally resign because I wanted a hearing, with the Commissioner who had special charge of these contracts (Mr. Plummer) present, as expressly requested in my letter to the Board (letter of Nov. 23, 1929). I had twice previously resigned from the Board during my 8 years there, but in neither case was it accepted.

Pursuant to that request I appeared before the Board November 29 and presented my attitude generally; but Commissioner Plummer was not present, and the matter was postponed. Not having been resumed by January 10, 1930, I wrote the chairman my letter of that date (CONGRESSIONAL RECORD, Mar. 20, 1933, p. 628) asking for a final hearing, and the meeting of January 23, 1930, resulted. I entered that meeting fully expecting to resign at its close; but Mr. Plummer was again not present, and I emphasized my regret that he was not, as I wanted a colloquy with him before the Board, hoping, before leaving, to impress the members who had had little to do with these matters with the enormity of some of the contracts which had been made.

The closing paragraph and sentences of the stenographer's minutes of the meeting of January 23, 1930, are also in the CONGRESSIONAL RECORD of March 20, 1933, page 628. Please read them and note that the hearing was left definitely open until at earliest February 1; then note on the same day, January 23, the chairman wrote me his letter of that date (CONGRESSIONAL RECORD, Mar. 20, 1933, p. 627) informing me my resignation was accepted, effective February 1—the very date to which the continuance had been taken. The real reasons for my severance are given in my reply of January 25, 1930 (same CONGRESSIONAL RECORD, p. 627). In confirmation of its rebuttal of the chairman's "reasons" for the "resignation", there are also printed in the same RECORD two documents signed by Commissioners Benson and Plummer (I was director of their respective bureaus); one, a letter to Representative Wood, chairman of the House Committee on Appropriations, dated January 15, 1928 (pp. 628-629); the other, an official report, sent by the chairman of the Board to the Personnel Classification Board, recounting my status and functions at the Board (pp. 629-630).

The chairman's letter of January 23, 1930, while stating the "resignation" would be effective February 1, also stated my pay would be computed to March 11. The letters between us, dated January 31, February 1, 2, 3, and 4 (CONGRESSIONAL RECORD, Mar. 20, 1933, pp. 627-628), will reveal his unwillingness to concede the supplemental payment could be accepted, and yet, after February 1, I be free to talk; hence my reply to the question asked me at a hearing of the Senate Committee on Appropriations whether I had received the \$825, which was the amount of the supplemental payment proposed: "Mr. Chairman, the payment of the \$825 seemed conditioned upon my remaining silent from February 1 to March 11, and I declined to accept it. It was never paid me" (p. 628). There were some important shipping bills then pending on which I had hoped to be heard.

Your speech related to the renomination of a Commissioner of the Shipping Board, and I regret exceedingly that you should have made any reference whatever to the undersigned, and especially a comment so unjustified as the one in fact made.

Yours very truly,

JOHN NICOLSON.

INDEPENDENT OFFICES APPROPRIATIONS

Mr. McKELLAR. Mr. President, I move that the Senate proceed to the consideration of the independent offices appropriation bill, being House bill 5389.

Mr. ROBINSON of Arkansas. Mr. President, in the event the bill is taken up, it is my expectation, after the Senate may have transacted a small amount of legislative business, to move an adjournment until Monday at 12 o'clock.

The PRESIDING OFFICER. The question is on the motion of the Senator from Tennessee.

The motion was agreed to; and the Senate proceeded to consider the bill (H.R. 5389) making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices, for the fiscal year ending June 30, 1934, and for other purposes, which had been reported from the Committee on Appropriations, with amendments.

Mr. ROBINSON of Arkansas. Mr. President, I send to the desk and ask to have printed and lie on the table an amendment which I shall propose to the independent offices appropriation bill. This is a legislative amendment. It is made necessary by the fact that in the analysis of section 36,

Public Act No. 10, Seventy-third Congress, approved May 12, 1933, being the Farm Relief Act, in which were incorporated provisions having reference to other subjects, it has been found by the Reconstruction Finance Corporation that it is very questionable whether the provision is workable without some modification.

It may or may not be remembered—however, it is the fact—that the Committee on Banking and Currency revised the provision of the bill referred to having relation to the indebtedness of drainage and other improvement districts. The amendment has been drafted by experts, and I am offering it on the appropriation bill for the simple reason that it is highly important that the provision shall be perfected before the end of the present session of the Congress and there is anticipated difficulty in getting consideration of the subject in a separate bill.

I make this brief explanation now in order that those who have charge of the appropriation bill may understand the reason for offering a legislative provision.

Mr. REED. Mr. President, will the Senator yield for a question?

Mr. ROBINSON of Arkansas. Certainly.

Mr. REED. Would not the amendment be subject to a point of order unless it has been approved by a standing committee?

Mr. ROBINSON of Arkansas. Yes.

Mr. REED. The Senator expects to have that done, does he?

Mr. ROBINSON of Arkansas. I hope it may not be found necessary, but I recognize in my statement that the amendment is subject to a point of order. The object of my statement is to avoid, if possible, having the point of order raised.

Mr. McKELLAR. Mr. President, in order to be on the safe side may I suggest that it would be better for the Senator to offer a motion to suspend the rules? Then it would be in order as a matter of procedure.

Mr. ROBINSON of Arkansas. I had intended to take a different course about the matter. I thank the Senator for his suggestion. I do not believe any Senator will make a point of order upon the statement submitted here. The amendment does not change in principle the provision that has already been adopted by both Houses of Congress. It modifies the language so as to make the provision workable in the opinion of those who are compelled to administer it. In that view of the subject I do not anticipate anyone will arbitrarily and unnecessarily impose a point of order. If it involved the question of new legislation touching a subject of so great importance, I should anticipate the making of a point of order; but I have explained that the whole subject matter of the amendment is already covered by existing legislation. The changes appear to me to be comparatively few and simple. Counsel for the Reconstruction Finance Corporation hold that there are some changes, which will be explained later, that are necessary in order to give prompt and effective application to the statute.

Mr. REED. The Senator is not offering the amendment at this time?

Mr. ROBINSON of Arkansas. Oh, no; certainly not. I am simply asking to have it printed and lie on the table.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. COSTIGAN. Mr. President, may I ask the able Senator from Arkansas if there is objection to having the amendment referred to the appropriate committee? I did not hear the Senator's entire statement.

Mr. ROBINSON of Arkansas. I think the amendment should go to the Committee on Banking and Currency. That would be the appropriate committee. However, that committee is having almost continuous sessions, and there is some doubt in my mind as to whether it would be possible to get consideration by the committee before the pending bill is acted upon by the Senate. That is one of the reasons I have not asked its reference to a standing committee.

Mr. COSTIGAN. So far as I know, there will be a meeting of the Banking and Currency Committee on Monday or Tuesday. Might we not report back the amendment—

Mr. ROBINSON of Arkansas. The committee might, but the question I am interested in is whether it would.

Mr. LONG. Mr. President—

Mr. ROBINSON of Arkansas. I yield to the Senator from Louisiana.

Mr. LONG. As I understand, this amendment merely clarifies what we have already enacted.

Mr. ROBINSON of Arkansas. The Senator is correct.

Mr. LONG. When the officials came to administer the bill they found that our wording was such that the experts wanted to re-form it, so that there would be no question about it.

Mr. ROBINSON of Arkansas. Frankly, if a point of order is made and sustained, I will take steps to have it voted upon in connection with other legislation that is coming on. I intend to have the Senate consider it but have not asked its reference to a standing committee because the provision was reported by the Banking and Currency Committee, and that committee may not meet again in time. The language that was heretofore adopted, as I have already explained, has been found not workable. I did not wish to estop myself from offering it to this bill by having it go to a committee that might not report before the bill was finally disposed of.

Mr. COSTIGAN. Mr. President, will the Senator yield?

Mr. ROBINSON of Arkansas. Certainly.

Mr. COSTIGAN. At the time the feature of the bill to which the amendment relates was before the Senate, certain Senators were interested in an amendment which was adopted by the Senate and eliminated in conference. Frankly, my interest in having it go to the committee is to consider again the question whether the amendment offered by the Senator from Arkansas should not be further amended.

Mr. ROBINSON of Arkansas. Of course, the amendment will be subject to amendment in the Senate.

The PRESIDING OFFICER. The Senator from Arkansas has the right to offer his amendment and have it printed and lie on the table.

Mr. ROBINSON of Arkansas. I do not anticipate that the Banking and Currency Committee would have the opportunity to consider it. I ask that the amendment lie on the table for the present.

The PRESIDING OFFICER. The amendment will be printed and lie on the table.

Mr. NORRIS. Mr. President, I feel a very deep interest in the amendment which the Senator has offered. I was going to make a suggestion to the Senator along the line of the suggestion made by the Senator from Tennessee; but the Senator from Arkansas did not take very kindly to that suggestion, and I do not want to interfere with any method he may propose. Probably he may have a different idea as to what it may be desirable to do.

Mr. ROBINSON of Arkansas. Mr. President, will the Senator yield?

Mr. NORRIS. Yes.

Mr. ROBINSON of Arkansas. In view of the suggestion made by the Senator from Tennessee and the Senator from Colorado, supported by the Senator from Nebraska, I ask that the amendment be referred to the Committee on Banking and Currency.

Mr. NORRIS. Oh, no, Mr. President!

Mr. ROBINSON of Arkansas. And I ask those Senators to take their full share of the responsibility.

Mr. NORRIS. Mr. President, I have the floor, and I shall not yield until I get through. The Senator from Arkansas has entirely misconstrued my idea. I am not asking that the amendment go to the Banking and Currency Committee. I have not made any such suggestion.

Mr. ROBINSON of Arkansas. Mr. President, will the Senator yield?

Mr. NORRIS. Yes.

Mr. ROBINSON of Arkansas. I understood the Senator to express the opinion that it should go to the committee.

Mr. NORRIS. No; no. I have expressed no such opinion.

Mr. ROBINSON of Arkansas. Very well.

Mr. NORRIS. I said that I was trying to get the attention of the Chair in order to interrupt the Senator; but my idea was, if I had obtained recognition from the Chair, to make practically the same suggestion that was made by the Senator from Tennessee. The Senator from Arkansas had some other idea as to how the matter was going to be handled, and I concur without knowing anything about it. It is the Senator's amendment, and I do not want to interfere in any way with any method he may want to pursue to attain the result; but I should feel very much chagrined if, when this amendment comes up, a point of order is made against it, and we should either have to let it go or have to make the necessary motion, which would keep the bill before the Senate until the next day in order to bring up a motion to suspend the rules.

I have no doubt but that when this amendment is explained we could very easily get sufficient votes to suspend the rules, but there is always danger of a point of order being made; and if we have to suspend the rules we would have at least to keep the bill before the Senate until the next day. Therefore I thought we might as well start the machinery now and be ready in case a point of order were made.

Mr. ROBINSON of Arkansas. Mr. President, I give notice of the customary motion to suspend the rules in order to make the amendment in order. I think that will meet the requirements of all Senators.

The PRESIDING OFFICER. The Senator from Arkansas offers an amendment, which will be printed and lie on the table, and, under the rule, the Senator gives notice that he will make a motion to suspend the rules.

The notice of Mr. ROBINSON of Arkansas was reduced to writing, as follows:

NOTICE OF MOTION TO SUSPEND RULES

Pursuant to the provisions of rule XL of the Standing Rules of the Senate, I hereby give notice in writing that I shall hereafter move to suspend paragraph 4 of rule XVI for the purpose of proposing to the bill (H.R. 5389) making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices, for the fiscal year ending June 30, 1934, and for other purposes, the following amendment, viz, at the proper place to insert the following:

"Section 36, Public Act No. 10, Seventy-third Congress, approved May 12, 1933, is amended to read as follows:

"Sec. 36. The Reconstruction Finance Corporation is authorized and empowered to make loans as hereinafter provided, in an aggregate amount not exceeding \$50,000,000, to or for the benefit of drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts duly organized under the laws of any State, and to or for the benefit of political subdivisions of States, which prior to the date of enactment of this act have completed projects devoted chiefly to the improvement of lands for agricultural purposes. Such loans shall be made for the purpose of enabling any such district or political subdivision (hereafter referred to as the "borrower") to reduce and refinance its outstanding indebtedness incurred in connection with any such projects, and shall be subject to the same terms and conditions as loans made under section 5 of the Reconstruction Finance Corporation Act, as amended; except that (1) the term of any such loan shall not exceed 40 years; (2) each such loan shall be secured by bonds, notes, or other obligations which are a lien on the real property within the project or on the assessments, taxes, or other charges imposed by the borrower pursuant to State law, or by such other collateral as may be acceptable to the Corporation; (3) the borrower shall agree not to issue during the term of the loan any other bonds so secured except with the consent of the Corporation; (4) the borrower shall agree, insofar as it lawfully may, to pay to the Corporation, until all bonds or other obligations of the borrower acquired by the Corporation are retired, an amount equal to the amount by which the assessments, taxes, and other charges collected by the borrower exceed the cost of operation and maintenance of the project and maturities of interest and principal on its outstanding obligations; and (5) the borrower shall agree, to the satisfaction of the Corporation, to reduce, insofar as it lawfully may, the annual taxes, assessments, and other charges imposed by it for or on account of the project by an amount proportional to the reduction in the corresponding annual requirements for principal and interest of its outstanding indebtedness by reason of the operation of this section. No loan shall be made under this section until the Reconstruction Finance Corporation (A) has caused an appraisal to be made of the property securing and/or underlying the outstanding bonds of the applicant, (B) has determined that

the project of the applicant is economically sound, and (C) has been satisfied that an agreement has been entered into between the applicant and holders of its outstanding bonds or other obligations under which the applicant will be able to purchase or refund all or a major portion of such bonds or other obligations at a price determined by the Corporation to be reasonable after taking into consideration the average market price of such bonds over the 6-month period ending March 1, 1933, and under which a substantial reduction will be brought about in the amount of the outstanding indebtedness of the applicant."

Mr. JOHNSON. Mr. President, to the bill that is now the unfinished business I present an amendment, and ask that it be printed and lie on the table; and in order that I may be on the safe side, although the Committee on Appropriations is familiar with the matter, and I do not think a point of order will be made, I present as well notice of a motion to suspend the rules when the matter may be taken up.

The PRESIDING OFFICER. The amendment will be printed and lie on the table; and the notice will be entered.

The notice given by Mr. JOHNSON is as follows:

NOTICE OF MOTION TO SUSPEND RULES

Pursuant to the provisions of rule XL of the Standing Rules of the Senate, I hereby give notice in writing that I shall hereafter move to suspend paragraph 4 of rule XVI, for the purpose of proposing to the bill (H.R. 5389) making appropriations for the Executive Office, and sundry independent executive bureaus, boards, commissions, and offices, for the fiscal year ending June 30, 1934, and for other purposes, the following amendment, viz, on page 61, after line 6, to insert the following new section:

"The Secretary of the Treasury is hereby authorized to effect a modification of the contract for the construction of the Long Beach, Calif., post office, so as to afford such relief as he deems to be proper for losses caused the contractor for restoration of damages to the building occasioned by the earthquake of March 10, 1933, and to make such structural and other changes in the building as may be necessary to minimize a recurrence of earthquake damage to the building: *Provided*, That the present appropriation for the Long Beach project shall be available for the purposes named, and that any additional cost incurred by reason of the above shall not exceed the present limit of cost."

STATEMENT OF SENATOR M'ADOO BEFORE BANKING AND CURRENCY COMMITTEE

Mr. BYRNES. Mr. President, I ask unanimous consent to have printed in the RECORD a statement made by the junior Senator from California [Mr. McAdoo] before the Banking and Currency Committee.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

When the United States entered the World War in 1917 I selected Russell C. Leffingwell, of New York, to be counsel for the Liberty bond issues. He was a member of a prominent law firm in New York versed in these particular matters. I had known him as a young man, his family and mine having lived across the street from each other at Yonkers, N.Y.

Subsequently, because of Mr. Leffingwell's ability, I made him an Assistant Secretary of the Treasury, a place he filled with great ability and distinction. When I left the Treasury in 1918 Mr. Leffingwell remained with my successor, CARTER GLASS, and also, I believe, with Mr. GLASS's successor, David F. Houston.

After leaving the Treasury he became a partner in the firm of J. P. Morgan & Co.

Ten years after I resigned as Secretary of the Treasury, and 4 years before I became a United States Senator from California, Mr. Leffingwell offered me the opportunity of making three investments through his firm, J. P. Morgan & Co.:

1. February 1929, 500 shares of the stock of the Allegheny Corporation, which I paid for in cash and which I sold at a net profit of \$4,900.

2. January 1929, 250 shares of common and 250 shares of preferred stock of the United Corporation, which was sold at a loss of approximately \$400.

3. September 1929, 1,000 shares of Standard Brands, which was sold at a loss of \$7,065.

The net loss on these three transactions was \$2,565.

I have never been a "preferred client" of J. P. Morgan & Co. The participations to which I have referred came to me solely through my friendship with Mr. Leffingwell. Prior to this time I had never had a transaction with the firm of J. P. Morgan & Co., nor have I had any transaction with the firm since. I have never borrowed from J. P. Morgan & Co., and, therefore, have never owed them anything.

Mr. Chairman, I do not consider it necessary for me to make this statement, but I make it solely because of the misleading articles which have appeared in the press, and which are attempting, through headlines and otherwise, to impart some sinister feature to perfectly proper business transactions conducted by the Morgans on the one hand and myself on the other, within our rights and not subject to the least criticism.

HEARINGS BEFORE THE COMMITTEE ON FOREIGN RELATIONS

Mr. BYRNES. From the Committee to Audit and Control the Contingent Expenses of the Senate, I report back favorably, without amendment, Senate Resolution 30, and I ask unanimous consent for its immediate consideration.

The PRESIDING OFFICER. The resolution will be read.

The Chief Clerk read the resolution (S.Res. 30) submitted by Mr. PITTMAN on March 15, 1933, and it was considered and agreed to, as follows:

Resolved, That the Committee on Foreign Relations, or any subcommittee thereof, be, and hereby is, authorized during the Seventy-third Congress to send for persons, books, and papers, to administer oaths, and to employ a stenographer, at a cost not exceeding 25 cents per hundred words, to report such hearings as may be had in connection with any subject which may be before said committee, the expenses thereof to be paid out of the contingent fund of the Senate; and that the committee, or any subcommittee thereof, may sit during the sessions or recesses of the Senate.

PRESERVATION OF VALUABLE HISTORIC DOCUMENTS

Mr. BYRNES. From the Committee to Audit and Control the Contingent Expenses of the Senate, I report back favorably, with an amendment, Senate Resolution 73, and I ask unanimous consent for its present consideration.

The PRESIDING OFFICER. The resolution will be read.

The Chief Clerk read the resolution (S.Res. 73) submitted by Mr. ROBINSON of Arkansas on the 4th instant.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution? The Chair hears none. The amendment of the committee will be stated.

The amendment was, on page 1, line 3, after the word "exceed", to insert "\$1,500", so as to make the resolution read:

Resolved, That the Secretary of the Senate is authorized to expend from the contingent fund of the Senate such sums as may be necessary, not to exceed \$1,500, for the purpose of adequately providing for the preservation of old documents on file in the Senate Library.

The amendment was agreed to.

The resolution, as amended, was agreed to.

DISARMAMENT CONFERENCE AT GENEVA—ADDRESS BY NORMAN H. DAVIS

Mr. POPE. Mr. President, second only in importance to the recent disarmament message to the nations of the world is the address by Norman H. Davis, chief delegate of the United States, before the general commission of the Disarmament Conference at Geneva. The message of the President and the address of Mr. Davis mark a distinct step forward in American policy with respect to disarmament and world peace. This is highly significant and cheers the hearts of millions of men and women throughout the world who believe that the United States should assume a greater responsibility in cooperation with the other great nations in the promotion of world peace.

I ask unanimous consent of the Senate to have printed in the RECORD the address of Mr. Davis and an editorial in the New York Times of May 23 commenting upon the significance of the address.

There being no objection, the address and editorial were ordered to be printed in the RECORD, as follows:

ADDRESS OF HON. NORMAN H. DAVIS, CHIEF DELEGATE OF THE UNITED STATES BEFORE THE GENERAL COMMISSION OF THE DISARMAMENT CONFERENCE AT GENEVA

The initiative taken by the President of the United States in communicating directly with the heads of the states participating in the Economic and Disarmament Conference, was prompted by the pressing need for concerted and decisive action to solve the interrelated problems with which these two conferences must deal.

The disarmament conference has reached the moment for definite decisions. We must face the issue; we must now determine whether the nations of the world propose to go forward with progressive disarmament or revert to the pre-war system of unrestrained competition in armaments with all the continuance of the international suspicion and fear which this will involve.

At the end of the World War the peoples of all states and their leaders resolved that the suicidal armament policy of the preceding decades must be changed.

They were convinced that this policy had been one of the contributing factors which brought about the war. Hence a new policy regarding armaments was incorporated as a fundamental part of the peace settlement.

This policy, adopted to prevent a future race in armaments, was based on the principle that armaments are a matter of general concern and that the time had passed when each state should be the sole judge of its armaments.

OBLIGATION ASSUMED VOLUNTARILY BY VICTORS

To carry out this conception provision was made for the disarmament of the defeated powers and at the same time a decision was taken unprecedented in history whereby the victorious states voluntarily assumed an obligation to reduce their own armaments.

As a first step the peace treaties reduced the armaments of Germany and her allies with a view to rendering impossible any aggression on their part. In fact, the theory behind these treaties was that the military forces of the disarmed powers should be fixed on the basis of the maintenance of internal order and the necessary policing of frontiers, but no more.

The whole purpose of these provisions was to guarantee that the armies of Germany and her former allies should thenceforth stay at home.

It would neither have been just nor wise, nor was it intended, that the Central Powers should be subject for all time to a special treatment in armaments. There is and has been a corresponding duty on the part of other powers, parties to peace treaties, that by successive stages they, too, would bring their armaments down to a level strictly determined by the needs of self-defense.

While the United States is not bound by the provisions or the implications of those treaties, I have no hesitancy in saying that it is the will of our people, interpreted by President Roosevelt, to join with the other powers in disarming down to that level, and we are prepared to exert our influence to bring this about, not by theoretical statements of good intentions but by decisive and progressive reduction of armaments through international agreement.

The present situation admits of no further delay. The states of the world must either go forward in good faith to carry out in all its implications the disarmament policy which they adopted in 1919 or we must recognize frankly that this policy has been abandoned and reconcile ourselves to reverting to a race in competitive armament.

WAR INEVITABLE IF CONFERENCE FAILS

If the latter course is taken, the consequences are inevitable. Sooner or later there will be the breakdown of the peace machinery which has been so laboriously built up since 1918, and the world will be swept into another war.

The immediate result of a failure here would be a set-back to economic recovery, which depends upon such mutual confidence between nations as will permit a real collaboration in the task of restoring international trade and the freer movement of goods.

This is impossible in a situation clouded by the fear of war. National budgets which should be devoted to productive and social ends are burdened with excessive and wasteful expenditures for armament. This leads in turn to an almost unbearable load of taxation on all our peoples.

If we thus candidly face the situation, there is really no alternative for a sane world to consider. It is inconceivable that the responsible leaders of any country in the world could hesitate over this issue. We cannot shirk the duty which this choice imposes upon us. We cannot safely delay taking effective steps to reduce armaments to a purely defensive basis.

As far as the position of the United States is concerned we are frank to recognize that we have a simpler problem to meet than have many of the European powers. Fears and apprehensions based on historical and racial grounds have led to the maintenance of large armaments in Europe. These large armaments have caused resentment, particularly in the less-armed countries. The resulting political tension has in turn reacted to keep up the general level of armaments.

We are not unaware of the difficulties which lie in the way of reduction in armaments here. It is our very detachment from this situation which gives us hope that we may exert a helpful influence toward the realization of our common objective. But we are prepared to aid in other ways than through exerting our influence, and I shall take this opportunity to show what we are prepared to do.

WHAT THE UNITED STATES IS PREPARED TO DO

As regards the level of armaments we are prepared to go as far as the other States in the way of reduction. We feel that the ultimate objective should be to reduce armaments approximately to the level established by the peace treaties; that is, to bring armaments as soon as possible through successive stages down to the basis of a domestic police force.

In particular, as emphasized by President Roosevelt, we are prepared to join other nations in abolishing weapons of an aggressive character which not only are the more costly to construct and maintain but at present are those most likely to lead to a breach of the peace.

To cut the power of offense and remove the threat of surprise attack would do more than anything else to lessen the danger of a war.

Almost a year ago the American Government submitted a proposal along these lines. This proposal, which received the approval of a large number of states, was not acceptable to certain states, and was therefore not adopted.

A few weeks ago the British Prime Minister submitted a detailed proposal which embodies many of the features of the American plan of last year. As the British proposal represents a real measure of disarmament, we accept it whole-heartedly as a definite

and excellent step toward the ultimate objective. We therefore are prepared to give our full support to the adoption of this plan.

In addition, I wish to make it clear that we are ready not only to do our part toward the substantive reduction of armaments, but if this is effected by general international agreement we are also prepared to contribute in other ways to the organization of peace.

In particular we are willing to consult the other states in case of a threat to peace with a view to averting conflict.

Further than that, in the event that the states, in conference, determine that a state has been guilty of a breach of the peace in violation of its international obligations and take measures against the violator, then, if we concur in the judgment rendered as to the responsible and guilty party, we will refrain from any action tending to defeat such collective effort which these states may thus make to restore peace.

EFFECTIVE SUPERVISION HELD INDISPENSABLE

Finally, we believe that a system of adequate supervision should be formulated to insure the effective and faithful carrying out of any measure of disarmament.

We are prepared to assist in this formulation and to participate in this supervision.

We are heartily in sympathy with the idea that means of effective automatic and continuous supervision should be found whereby nations will be able to rest assured that as long as they respect their obligations with regard to armaments the corresponding obligations of their neighbors will be carried out in the same scrupulous manner.

The disarmament conference has already formulated measures for the establishment of a permanent disarmament commission. The powers now proposed for this commission may well be reinforced. The commission will have many important duties, but none more essential than that of effectively supervising the fulfillment of the treaty.

We recognize that the ultimate objective in disarmament must be attained by stages, but we believe that the time for the next and decisive step is long overdue and cannot be further postponed.

Virtually all the nations of the world have entered upon the solemn obligation of the Briand-Kellogg Pact to renounce war as an instrument of national policy and to settle their disputes only by pacific means.

If we are to keep faith with these obligations, we must definitely make up our minds to settle our disputes around a conference table instead of preparing to settle them on the battlefield.

It was with such a thought that the President proposed an undertaking by the nations that, subject to existing treaty rights, armed forces should not be sent across national frontiers.

SIMPLEST DEFINITION OF AN AGGRESSOR

In the long run we may come to the conclusion that the simplest and most accurate definition of an aggressor is one whose armed forces are found on alien soil in violation of treaties.

There have been two main obstacles to disarmament. One was the apprehension that Germany proposed to rearm; the other the reluctance of the armed powers of Europe in the present state of the world to take a real step in disarmament.

If at this decisive point any nation should fail to give conclusive evidence of its pacific intentions and insist upon the right to rearm, even though the other powers take effective and substantial steps toward disarmament, then the burden of responsibility for the failure of the disarmament conference, with the incalculable consequences of such a failure, would rest on the shoulders of that nation.

The problem with which we are faced cannot be solved if one nation insists on rearming while the others disarm. The result inevitably would be another race in armaments.

As regards the action of the other powers we are not unaware in the United States of the political difficulties which still lie in the way of the reduction of European armaments.

We recognize the legitimate claim which any state has to safeguard its security.

But we are firmly convinced that in the long run this security can best be achieved through a controlled disarmament by which the military strength of the most heavily armed nations is progressively reduced to a level such as that provided for in the peace treaties.

To the extent that armaments create political tension they in themselves constitute a menace to peace and may jeopardize the security of the very nations which maintain them.

If we take a long step in the direction of disarmament today and agree by stages to achieve our ultimate objective, we can meet any legitimate claim of the powers bound by the peace treaties and at the same time effectively help to insure peace.

A few days ago the conference met a serious obstacle to further progress in its detailed examination of the British plan. Since then there has been an appreciable change.

NEW GERMAN ATTITUDE MAKES FOR SUCCESS

The recent speech by the German Chancellor before the Reichstag clarifying the German attitude and policy with regard to disarmament and endorsing the proposal of President Roosevelt has been most helpful.

This and also the subsequent announcement made here by our colleague, Herr Nadolny, of Germany's acceptance of the British plan as the basis of the future convention, have so altered the situation as to justify us in assuming that we can now resume our consideration of this plan with real hope of agreement.

Our present agenda is a consideration of the chapters on war material. It was understood that other related subjects might be introduced and my colleagues may feel that I have made wide use of the latitude thus given me.

But in closing my remarks and to bring our discussion back to the concrete question before us I desire to state that the American delegation accepts the chapter on material and expresses the hope that the other delegations will join in this acceptance and that the way may thus be cleared for an immediate decision on the concrete proposals in this chapter.

This conference is not only a disarmament conference. It is an emergency conference of a world in a state of political uncertainty and economic depression.

The next weeks will bring the decisive test. It will require courage and statesmanship to meet this test, but the failure to do so will go far to shatter any hope of world organization for peace.

As far as the United States is concerned, our abilities and our incentive to collaborate wholeheartedly in the continuing task of helping to maintain world peace depend in large measure upon the results achieved here in disarmament.

UNITED STATES READY TO SHARE RESPONSIBILITY

President Roosevelt's message is a clear indication of the fact that the United States will exert its full power and influence and accept its just share of responsibility to make results in disarmament definite, prompt, and effective.

The results of success here and now would bring benefits beyond all calculation. It would give new confidence and hope—confidence that governments can still govern and leaders lead; hope that a definite step in disarmament having at last been taken, economic recovery will be hastened and the millions in all countries who are only asking for the opportunity to work will have restored to them the possibility of living in peace and of earning their daily bread.

If by a great act of faith each and every nation will now summon the courage to take a decisive step in general disarmament, conditions throughout the world will so improve that we can henceforth face the future with a real feeling of security and confidence.

With the alternative to success in mind, we cannot allow ourselves to fail.

[From the New York Times, May 23, 1933]

A STEP FORWARD

Yesterday's address by Mr. Norman Davis at Geneva naturally followed the lines of President Roosevelt's message to the world last week. The main points are the same, though they were emphasized and perhaps more clearly defined in detail by Mr. Davis. The net effect of his announcement of American policy is agreement with the thesis that, in the next war, if there is to be one on a great scale, there can be no such thing as neutrality. The United States will be prepared to waive all rights as a neutral, provided that, after consultation with other nations, she has herself decided that an aggressor is threatening the peace of the whole world. It is clear that, as President Roosevelt stated the other day, this vital decision will not be forced upon our Government by other nations but "made right here in Washington." Thus national self-determination would be retained. But there is no mistaking the fact that, as the other delegates at Geneva at once perceived, and as the foreign diplomats in Washington immediately concluded, the Davis speech proclaims an advance in American policy as respects disarmament and all the possible issues of war or peace.

Highly significant was the statement by Mr. Davis that the United States would not favor an agreement by which any nation would be allowed to rearm. This, of course, looks straight at the German contention. On the other hand, Mr. Davis conceded that a fair interpretation of the Versailles Treaty would obligate the victors gradually to cut their armaments down to a defensive level no higher than that imposed upon the vanquished. But almost in the same breath Ambassador Davis gave it as the American view that "the territorial status quo" should be maintained. This reads amazingly like a tacit adherence to the famous article X of the Covenant of the League of Nations, which was fought to the death by the United States Senate in 1919, and had much to do with its final rejection of the Versailles Treaty.

The inevitable inference is that the world has moved, and that the United States has moved with it. This country no longer boasts of its "splendid isolation." The President and his special representative at Geneva have now fully recognized the fact that our chief interests are inextricably bound up with those of the rest of the world. To this extent there has been a frank change in the American attitude. Thus far its manifestation and effect are largely mental. But the time for practical application may come sooner than many think. As the case stands today, our Government has plainly shown that it sees not only an obligation but an advantage in joining other nations in the pursuit and realization of the necessary means of keeping the peace.

REGULATION OF PUBLIC UTILITIES

Mr. DILL. Mr. President, I ask unanimous consent to have printed in the RECORD an article appearing in the Nation of May 31, 1933, entitled "The Supreme Court Blocks Utility Regulation."

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From The Nation, May 31, 1933]

THE SUPREME COURT BLOCKS UTILITY REGULATION

By Will Maslow and E Michael White

While public-utility consumers all over the country rightly complain about excessive utility rates and seek improvement in the personnel of their public-service commissions, the real villains in the piece—nine black-robed old gentlemen in Washington (or a majority thereof)—escape attention and criticism. In the shadow of the Capitol, far removed from the whirl of turbines, the roar of waterfalls, or the ring of the utility bill collector, the United States Supreme Court, "the watchdog of the Constitution", manufactures decisions which thwart the public desire and interest, cause the more enlightened regulatory commissions to throw up their hands in disgust, and permit the utilities to enjoy the benefits of anarchic monopoly. The latest decision of the Supreme Court on public-utility regulation, handed down May 8, 1933, in the Los Angeles Gas & Electric Co. case, and hailed as a great step forward, is only another reminder that the chief obstacle to effective regulation is the attitude of the Supreme Court on the all-important and little-understood question of "valuation."

In November 1930 the California Railroad Commission ordered a cut in the gas rates of the Los Angeles Gas & Electric Co. which was calculated to reduce the company's revenues by about 9 percent. The company appealed to the Federal courts, invoking the magic word "confiscation." Two and one-half years later the Supreme Court reviewed the case. The Court upheld the new rate, since it allowed a return of 7.7 percent on the commission's valuation based on the theory of "historical cost" and a return of 7 percent on the valuation based on the "reproduction-cost theory." (These theories and their importance will be discussed farther on.) The rate order of the California commission which the Supreme Court upheld was hardly a revolutionary or daring one. For example, it failed to deduct anything for depreciation (a minimum of \$7,650,000), which it might have done under the law. The Supreme Court used this difference to account for the mythical "going value."

Although the Supreme Court achieved a proper result in upholding this order, which it could hardly have reversed, the opinion itself, written by Chief Justice Hughes, only served further to muddle the already muddled utility law by perpetuating the confusion and uncertainty which now exist. The "liberal minority" of the Supreme Court, headed by Mr. Justice Brandeis, failed to dissent from this unsatisfactory decision. The dissent, however, was forthcoming from Justices Butler and Sutherland, who asserted that the company's property was being confiscated. Mr. Justice Butler could have concurred safely in the majority opinion in this case. But the learned Justice, in his early days a utility lawyer, found it necessary to dissent very vigorously from the majority opinion. He said: "As the commission's refusal to apply principles of valuation established by our decisions resulted in arbitrary undervaluations, the prescribed rates should on that ground be set aside."

The financial history of a utility company claiming confiscation is worthy of comment. In 1924 the Los Angeles company paid a dividend of 33.75 percent, which included a stock dividend of 25 percent. In 1925 the dividend on the capitalization thus inflated was 9 percent; in 1926, 9.8 percent. In 1927 another stock dividend was declared, this time of 21.42 percent, making a total dividend for the year of 35.17 percent. In 1928 on this last increased capitalization, the company paid a dividend of 16 percent; in 1929, 17 percent; and in 1930, the year before the "confiscation", 21 percent. In 1931, after the alleged confiscation (also in the second year of the depression), the company paid a dividend of 16.75 percent on its common stock. Meanwhile, the company's surplus increased from \$381,212 in 1916 to \$4,176,663 in 1929, while its depreciation reserve increased from \$3,804,383 to \$16,804,105 in the same period.

All the common stock of the Los Angeles Gas & Electric Co. is held by the Pacific Lighting Corporation, a holding company. This happy parent of so productive a child paid a 16-percent dividend on its common stock in 1926 and 1927. In 1929 it split its common stock 10 for 1, and since that time has paid \$3 a share on each of the new shares, or 30 percent on the original par value of \$100. (It should be recalled that electric utilities, according to their own propaganda, make no profit.) How could a corporation with such a dividend record even get into the Supreme Court with a plea of confiscation? The answer is that "confiscation" means "legal confiscation", and under its interpretation of the "due process" clause of the fourteenth amendment the Supreme Court may find that even profitable utilities are being "deprived" of their constitutional rights. Rates are fixed in the first instance by regulatory commissions established by State legislatures. The Federal courts may, however, forbid such rates, on the theory that the utility has a constitutional right to a fair return on the fair value of its property, commonly referred to as the rate base. If the Federal court believes that the rates fixed by the State commission are so low that the utility will be unable to earn what the court regards as a fair return on that rate base, it declares the rates confiscatory and enjoins their enforcement.

There are two conflicting theories as to the correct method for determining fair value: One is the theory of original cost; the other is the theory of reproduction cost. According to the first method, advocated by Mr. Justice Brandeis and spokesmen for the consumer, the fair value, or rate base, is fixed as that sum origi-

nally invested in the business. Advocates of this theory contend that if an investor receives adequate dividends on his actual investment (taking into consideration the nature of the public-utility industry) he ought to be satisfied. According to the second method, the fair value of a utility is fixed as the present cost of reproducing it. This theory as applied in a period of rising prices has meant millions of dollars added to the rate base and therefore to rates.

The cost-of-reproduction theory has few defenders besides utility lawyers and certain members of the Supreme Court. Its vices are many: It is based on illogical premises, it calls for frequent and expensive appraisals of utility property, and it loads the rate base with mythical items of value. What is the present value of a complicated and extensive utility business? Spokesmen for the utilities have urged that the present cost of reproducing its property be taken as the sole measure of its value. They might have argued with some justification that the cost of constructing a plant which would produce the present service should be taken as a measure of value. But the reproduction-cost theory involves a reproduction of the plant and not of the service. For example, if plants of the New York Edison Co. were to be torn down, its obsolete machinery producing direct current would surely not be replaced. But the New York Edison Co. insists that in measuring the value of its property the present cost of reproducing its entire plant, with its inefficient locations, its small generating units, its dangerous overhead wires, its direct-current switchboards, must be determined and included in the rate base.

The cost-of-reproduction theory is not only illogical but demands a technique of pure guesswork. How delusive the supposed exactness of this technique is can be seen from the conflicting estimates of the value of the property of the Los Angeles company. The commission determined the "fair value" of the company's property to be \$65,500,000. The utility company's engineers testified to a figure of \$95,000,000, an excess of 50 percent!

But if the imagination of high-priced appraisal experts is given free rein in evaluating physical properties, their fancies are absolutely unfettered in evaluating so-called "intangible factors." The Consolidated Gas Co., for example, insisted some years ago that in estimating the cost of reproducing its gas mains extra items of cost would have to be added, since the improvement in highway construction made street openings more expensive! Another utility company insisted that in the process of calculating the value of its property, if it were to be reproduced de novo, the cost of training its engineers and of making its consumers gas-conscious should be included in the rate base!

Another figment of the imagination for which the public pays is the item of "going value." What this item is, it is not for us to attempt to explain. Far be it from lawyers to rush in where judges fear to tread. According to Chief Justice Hughes, who wrote the opinion in the Los Angeles case, going value is "an element of value in an assembled and established plant doing business and earning money over one not thus advanced." This sounds suspiciously like "goodwill." Yet the Court specifically stated that "going value" was not to be confused with "goodwill", and goodwill, as an item of value, was excluded by the Supreme Court a generation ago. The result is that today only a Supreme Court Justice can distinguish between the goodwill that was barred and the going value that is admitted.

In the Los Angeles case the Supreme Court found that the value of the property as valued by the commission on an original-cost basis was \$5,600,000 less than when calculated on a reproduction-cost basis. Since price levels at the time of construction were higher than those prevailing in 1930, as the Court itself pointed out, there was no reason why the reproduction cost should have exceeded the original cost by \$5,600,000. Instead of pointing out this error of the commission, the Supreme Court called the excess "going value", thus swelling the rate base by about 8 percent. When the reproduction-cost theory in a period of low prices favors the consumer for the first time in 20 years, a reactionary court may nullify the effect of falling prices by swelling the rate base with the mythical item of going value.

Another vice in the reproduction-cost theory is the necessity for periodic reappraisals—at the consumers' expense. Since reproduction costs depend upon the current cost of labor and materials, every major shift in price levels demands a new valuation. In the Los Angeles case the California commission fixed the "fair value" of the utility's property at \$65,000,000 on the basis of 1930 prices. After 2½ years of litigation this valuation was upheld by the Supreme Court by a 6-to-2 vote. Meanwhile, an unprecedented drop in prices has rendered the valuation hopelessly out of date. If the California Railroad Commission were vigilant—and equipped to do the work of reappraising—it would have to start another rate case, which would be passed upon by the Supreme Court in 1936.

Vicious as the theory of reproduction cost is, it is at least better than no theory at all, which is precisely the state of the law today as a result of the Los Angeles case. During the many years of high price levels a rule seemed to crystallize from the Supreme Court's learned, if not lucid, opinions that in determining the value of utility properties "dominant emphasis" had to be given to reproduction cost. While prices were rising this theory worked well for the companies, resulting in larger rate bases, higher rates, and soaring dividends. Now that prices are dropping and the consumer is about to gain from an application of the reproduction-cost theory, we find the Supreme Court edging away from it in the Los Angeles case. Chief Justice Hughes tacitly repudiated the "dominant emphasis" theory and stated that neither reproduction cost nor historical cost was to be used exclu-

sively in computing value. He wrote: "The weight to be given to historical cost and to cost of reproduction new is to be determined in the light of the facts of the particular case."

This "light" throws a feeble glimmer in the tangled forests of public utility law. "Facts" are of no help in determining how much weight must be given to each factor. What is necessary is rules, based not on arbitrary intuitions but on logic. In this situation such rules are impossible to formulate. If the Supreme Court had directed that fair value be fixed at some point between historical and reproduction cost, the lack of meaning of such an arbitrary direction would have been apparent. So the Court hedged, as it has hedged ever since the first public-utility valuation case came before it in 1898. It refused to formulate a workable method of choosing between original cost and reproduction cost. The result is that public-utility commissioners, in addition to being lawyers, economists, and engineers, must also be psychics. They must guess which way the Court will jump next, because it is impossible to know which theory to follow, or how much weight to give each factor of value.

Had the California commission not feared an arbitrary reversal, it might have reduced the rate base to as low a figure as \$45,000,000 by subtracting from its valuation figure the entire amount of the depreciation reserve. This would have resulted in an additional annual saving to consumers of at least \$1,500,000 and reduced the company's revenues by 18 percent instead of 9 percent. Despite this additional reduction, the company would still have been able to pay a 9-percent dividend on its common stock in 1931, the second year of the depression.

The solution of the problem is to deprive the Federal courts of power to interfere with the rulings of public-utility commissioners. This would require legislation. If such legislation be declared unconstitutional, as it may well be, a constitutional amendment would then be necessary in order to make this change. In the many years that would have to elapse before such an amendment became law State ownership ought to be sought. Under State ownership the troublesome question of valuation for rate-making purposes would never arise. The present system of regulation is defended today only by the public utilities.

FARM RELIEF

Mr. NYE. Mr. President, I ask permission to have printed in the RECORD a very interesting article written by Charles S. Barrett on the subject of "The Roosevelt Farm Bill." It relates to the subject of farm legislation recently enacted.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

THE ROOSEVELT FARM BILL

By Charles S. Barrett

I have been asked at least a thousand times what I thought of the Roosevelt farm bill. The bill is a good one. The truth about this matter is the Congress of the United States never passed a farm bill that was not good. The trouble has never been in the law itself, it has always been in the administration of the law. A good law can be made to operate and have the effect of a bad law, and a bad law can be made to operate and have the effect of a good law.

FOUNDATIONS RIGHT

Take the late Federal Marketing Act with its Federal Farm Board. It was a good law. No better law was ever passed. Administration was the only trouble with that law. Practically everything that was ever started in good faith for the American farmer was good. Every one of the farm organizations that this country has ever known was founded on principles that were all right. The Grange, the American Society of Equity, the Farmers Alliance, the Agricultural Wheel, the Farmers Mutual Benefit Association, the Farm Bureau, the Farmers Union, the Gleaners, etc., all were founded on wise principles. The only trouble that any of them ever had was in their administration.

LAWS, ADMINISTRATORS, FARMERS

Those who administer government or organizations or laws will never get very far until they thoroughly understand that there is more in the administration than there is in the law itself.

Millions and millions of times it has been said that the farmer wouldn't do. They say he is too independent; they say he is too stubborn; they say he is too individualistic and noncooperative; they say he is too stupid. I will admit that there is some truth in what they say about him. This is largely due to the manner in which he has been treated in the administration of the various acts which have been passed supposedly for his benefit.

FATE OF STRONG-ARM TACTICS

Now, the Farm Board Act was administered as though its administrators had been chosen by God Almighty to save the American farmer against his own stupidity. Likewise, its manner of administration psychologized the American farmer into believing that someone was jamming something down his throat. Thus before this great act had been long in existence, an undercover opposition of the farmers to the Farm Board, and the Farm Board to the farmers, was in evidence.

The administrators of that act carried the thought which they actually often expressed, "Whip the farm leaders into line." No one questioned then, or now, the actual desire of the administrators to save American agriculture as a family unit industry. Their approach to a method of administration of this great act was where all the trouble existed.

OPPORTUNITY THREATENED BY STUPIDITY

Now the farmers of this country are not going to be "whipped into line." They are in line now. And if some missteppers don't get the farmers out of step, the present Roosevelt farm bill has the opportunity to preserve American agriculture as we know it should be. By the proper administration of this act, not only will the farmers be served but the rural towns may be preserved, business be stimulated, bankruptcy stopped, and the Nation placed back on the road to or in full recovery.

The farmer has dealt with nature and nature's God and thus has become a generous, charitable, and patient individual, in most cases without the opportunities of great scholastic attainment, rarely placed in the position of authority in public affairs or in the securing of common justice for society. If those who administer in the name of agriculture are not more stupid than they charge the farmer with being, then we will begin to get somewhere.

IGNORANT INTELLIGENCE

I honestly believe that ignorance among the powers that be is the greatest of all crimes. They have gone through the colleges of our country, and therefore are supposed to be educated. Their opportunities in life have carried them into the far places and high places. They are cultured to the point of great intelligence, but when it comes to some simple but important thing often show amazing ignorance. Their ignorance of this real farm problem is the crime of the age when they accept places of power and responsibility. Will they continue to attempt to manhandle the farmers of this Nation and know more about everything connected with agriculture than those who deal with it, who are of it, and who have graduated from its schools of common sense and experience?

KNOWING HOW, ESSENTIAL

I am telling you that this patient creature, the farmer, will not always be patient. We already hear the rumblings in the Middle West.

In the Roosevelt farm bill there is plenty of authority and plenty of money. If it does not properly succeed, it will not be on account of the farmer.

I declare to you that you can get the farmer to do anything that is right if you know how, but you have just got to know how. You have got to know how his mind works. You have got to know what is in his mind, what it is susceptible to, what is repellent to it, what he and his family suffer individually and collectively, what they enjoy. In fact, you have got to eat and sleep with the farmer to know anything about the farm problem whatsoever.

AMAZING POSSIBILITIES IN THE FARM LAW

You have got to know his likes and dislikes. You have got to know his friends and enemies; his heroes and martyrs. You have got to know whom he will follow and whom he will not follow. You have got to know every monkey-wrench thrower and every constructive fixer. You have got to know how to slip rubber pads between the monkey wrench and where it hits. You have got to know the American farmer to know anything about the farm problem.

This new farm law is a great law with amazing possibilities. There is not the least doubt about the sincere desire for making it a success on the part of those responsible for its operation. There is no room for doubt about their scholastic training and their great intelligence. Only time will tell whether we are to be victims again of the ignorance of intelligent people.

P.S.—We are all for results and should all do everything we can to make them satisfactory. But patience, in time, runs out. So here is hoping patience endures until relief comes.

ADJOURNMENT

Mr. ROBINSON of Arkansas. Mr. President, if there be no further business, I move that the Senate adjourn until Monday next at 12 o'clock noon.

The motion was agreed to; and (at 3 o'clock and 35 minutes p.m.) the Senate adjourned until Monday, May 29, 1933, at 12 o'clock meridian.

HOUSE OF REPRESENTATIVES

SATURDAY, MAY 27, 1933

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D.D., offered the following prayer:

Almighty God, Thou hast made the earth by Thy power, established the world by Thy wisdom, and stretched forth the heavens by Thy understanding. We therefore humble ourselves at Thy footstool. In all our ways may we acknowledge Thee. We pray Thee that Thou wouldst sustain us in that glad confidence and in that calm assurance that all things work together for good to them that love Thee. As Thy moral law is perfect in its character and perpetual in its obligation, may we make it our way by intelligent obedience. For everything that makes life better, happier, and richer, for all the mercies that turn our days into

strength and encouragement, and for the sweet memories of those blessings that abide while time shall last, we are thankful to Thee, our Heavenly Father, upon earth through the name of Christ, our redeemer. Amen.

The Journal of the proceedings of yesterday was read and approved.

ORDER OF BUSINESS

Mr. BYRNS. Mr. Speaker, I ask unanimous consent that the Committee on Banking and Currency and the Committee on Rules may have until 12 o'clock tonight to file reports.

The SPEAKER. Is there objection?

Mr. LUCE. Reserving the right to object, the last time I made a request to file minority views my recollection is that I asked to have the minority views printed with the majority views. Somehow the request was overlooked.

Mr. BYRNS. I will include it in my request that the majority report and minority views may be filed before 12 o'clock tonight and printed in the same document.

Mr. BANKHEAD. Mr. Speaker, I should like to announce to Members that the Rules Committee will have a meeting immediately after adjournment today.

Mr. McFADDEN. Can the gentleman from Tennessee tell us how much time there will be to discuss the matter?

Mr. BYRNS. I cannot tell. That will be decided by the Rules Committee.

Mr. McFADDEN. May I say that I hope there will be a liberal time given for the discussion.

Mr. BYRNS. I am sure that the Rules Committee and the chairman are in favor of a liberal time.

Mr. MAPES. Mr. Speaker, reserving the right to object, and I do not intend to object, I should like to ask the gentleman from Tennessee when he expects the legislation reported by the Committee on Banking and Currency will be brought up?

Mr. BYRNS. The object in meeting today was that the committee might report, so that the business might be brought up on Monday, if, after the suspension of the rules, there is time. The Speaker has several suspensions in mind. I am unable to say whether they will be disposed of in time to take this up or not. But there will be no disposition to hold the House for a late session on Monday.

Mr. MAPES. I realize that this is largely a formal matter—that if one objected to the request of the gentleman, the only result would be to keep the House in session waiting for the report, and so nothing would be gained by an objection. But I should like to express my own feelings about the matter. I think it is a violent procedure, to bring up a bill of such importance that was only introduced yesterday, which has been considered by the Banking and Currency Committee only 1 day, and I think with very limited hearings, if any. The Members of the House and the country have had no time to study and digest it. I think it is a violent procedure to bring it up in such a precipitous way for consideration by the House.

Mr. BYRNS. Let me say that it is a very short bill and only one question involved. I do not know whether there have been extensive hearings or not. We are all anxious to get through with the session as soon as we can.

Mr. MAPES. I realize that it is a short bill as far as language is concerned, but that does not minimize its importance.

Mr. BYRNS. I am not minimizing the importance of the bill.

Mr. BEEDY. Mr. Speaker, will the gentleman yield?

Mr. BYRNS. Yes.

Mr. BEEDY. Just to correct the statement of the gentleman from Michigan [Mr. MAPES] that this bill has been considered by the Committee on Banking and Currency. It may have been considered by part of that committee. I do not know as to that. As usual, I went to the Departments to keep appointments which I had made yesterday. At 10 o'clock this morning I got notice of the meeting. As soon as I could get here I did so, but found when I did get here that the committee had reported out a bill taking the country off the gold standard and repudiating most solemn con-

tracts made by the Government. Of course, some of you may think that it is not an event of any great consequence, but nobody had a chance to go into it, and I now hold in my hand for the first time a copy of the bill.

Mr. BYRNS. Oh, I do not think it does just what the gentleman says, but that is a matter for discussion.

Mr. BEEDY. It is absolutely as I state.

Mr. SABATH. Is it not a fact that these gentlemen will have this afternoon and all day tomorrow to study that short bill?

Mr. BEEDY. But the gentleman must realize that some of us go to church on Sunday.

Mr. SABATH. Well, in the morning; and with the intelligence that the gentleman possesses, it should not take him long to digest the bill.

Mr. McFADDEN. Mr. Speaker, will the gentleman yield?

Mr. BYRNS. Yes.

Mr. McFADDEN. In order to ask the Chairman of the Committee on Banking and Currency whether or not any hearings were held on the bill.

Mr. STEAGALL. There were no hearings.

Mr. McFADDEN. So no study has been given to the bill other than just to draft it.

Mr. STEAGALL. Oh, I might say to the gentleman that he does not mean to say there has been no study of everything involved in this legislation. The gentleman fully understands that the Banking and Currency Committee for many years has studied the various phases of this legislation, and in every direction.

Mr. BYRNS. Mr. Speaker, I hope there will be no objection to my request.

The SPEAKER. Is there objection?

There was no objection.

FARM CREDITS

Mr. BYRNS. Mr. Speaker, I ask unanimous consent that the Committee on Agriculture may have until 12 o'clock Monday to file a report upon the farm credits bill, which has been pending before the committee for several days. Of course, it is not intended to take that up on Monday, but we would like to have the bill printed so Members can see it.

The SPEAKER. Is there objection?

There was no objection.

GOVERNORSHIP OF HAWAII

Mr. GIBSON. Mr. Speaker, I ask unanimous consent to have until 12 o'clock tonight to file minority views upon the bill relating to the appointment of a Governor of Hawaii.

The SPEAKER. Is there objection?

There was no objection.

CENTURY OF PROGRESS EXPOSITION, CHICAGO

Mr. SABATH. Mr. Speaker, I ask unanimous consent to address the House for 5 minutes.

The SPEAKER. Is there objection?

Mr. MARTIN of Massachusetts. Mr. Speaker, I shall be obliged to object because the session today was with the expectation that nothing would be done except to get the permission which the gentleman from Tennessee [Mr. BYRNS] has already obtained. I do not think we want to stay here for any prolonged discussion. I object.

The SPEAKER. Objection is heard.

Mr. SABATH. Mr. Speaker, will the gentleman withhold his objection for a moment?

Mr. MARTIN of Massachusetts. I withhold the objection.

Mr. SABATH. All I desire to say is this, that the great city of Chicago—

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

Mr. MARTIN of Massachusetts. I reserve the right to object.

Mr. SABATH. All I wish to speak on is the opening of the Century of Progress Exposition in Chicago today. Surely the gentleman will not object to that.

Mr. MARTIN of Massachusetts. We all know about the opening of that fair; and if I permitted the gentleman to go ahead, I would be obliged to let others.

The SPEAKER. Objection is heard.

Mr. SABATH. Will the gentleman withhold it for just a moment? He states that the country knows all about this fair. I do not question the gentleman's statement. The country should know about it, but I do not know whether the Members do, and I want to extend an invitation to the Members to attend the exposition.

Mr. MARTIN of Massachusetts. Mr. Speaker, I have objected.

Mr. SABATH. All I desire to do is to extend the invitation to the Members of this House.

The SPEAKER. Objection is heard.

CAN THE AMERICAN FARMER COME BACK?

Mr. KNUTE HILL. Mr. Speaker, I ask unanimous consent to extend my remarks by publishing therein an address delivered over the radio on Can the American Farmer Come Back, by the gentleman from Oregon [Mr. PIERCE].

The SPEAKER. Is there objection?

There was no objection.

Mr. KNUTE HILL. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following radio address delivered by Hon. WALTER M. PIERCE, of Oregon:

Can the American farmer come back? This is the question asked whenever farmers meet or the subject is discussed. It is now generally admitted that the millions of Americans who do not live on farms cannot prosper until the farmer is again prosperous. On the other hand, the farmer cannot prosper until the industrial millions have purchasing power. During the last half century I have been closely connected with the farmers of the West, raising wheat, cattle, sheep, and hogs on a large scale. In legislative halls as State senator, as Governor of the State of Oregon, and now after a brief experience in the House of Representatives I have come into contact with those who are trying to bring relief to farmers, and I am today speaking to my fellow farmers to give you my views as to the future.

Six years ago this summer I read a remarkable article by Professor Dodd, of Chicago University, entitled "Must the American Farmer Sink to Peasantry?" I remember with what a shock I read the title and followed the careful reasoning of the historian; and when I discussed it in public, I felt that my audiences were amused rather than deeply concerned with Professor Dodd's prophecy, for that distinguished author proved that the economic trend would surely carry the American farmer to peasantry. Now, 6 years later, here in Washington, I find this word "peasant" on the lips of many in high official positions. They assume it is the inevitable future condition of the American farmer. I wonder if they think the American farmer when reduced to peasantry will sustain the present Government officials in their high offices and continue to build marble halls for public buildings! I repeat, today, what I have frequently said, that, if the farmer sinks to peasantry, he will carry with him the whole fabric of our present-day civilization, officialdom, universities, and popular education. These have been supported from the earnings of the farmer. Our civilization could not have been built on a class system.

In discussing irrigation farming recently with a high official, the question of taxes and maintenance per acre on irrigated tracts was brought up, and this official seemed surprised to learn that the maintenance charges and taxes of about \$5 an acre left no margin for the farmer, but represented a loss. Officialdom and city dwellers ask why the farmers remain on their farms, struggling through year after year of failure, unable to pay taxes, interest, and cost of production; going behind all the time. They do not seem to comprehend the fact that there is nothing else that the farmer can do. It would be folly for him to swell the crowds of unemployed in the cities. At any rate, the farmer has a roof and most of his food.

One of the principal causes of economic breakdown of American rural life is interest—high, immeasurably high interest—far beyond the ability of the producer to pay. Interest has always been cheaper in the East than in the West, where farmers have paid from 8 to 9 percent on well-secured loans. On Federal funds western farmers have paid from 5 to 9½ percent. By cheap interest I mean not 4½ or 5 percent, as now provided by the new farm law, but the cheapest interest at which Federal money is given to any industry. Remember that 4 percent now is equivalent to 16 percent at peak prices.

A second cause has been the excessive cost of transferring the product from the hands that produce to the mouths that consume. It is true that less than one third of the money paid by the consumer reaches the original producer. The transportation agencies, protected in their profits by Federal legislation, exact more than the producer gets. Think of the injustice of transportation lines collecting more freight rates now than in the prosperous days before the war! These excessive freight rates have made it impossible to conduct farming advantageously except in the few favored localities adjacent to the seaboard or large centers of population.

Another serious difficulty has been the contribution demanded by other utilities, those that give us light, power, water, and telephones. By special governmental privilege the owners of these necessities of life have been enabled to collect excessive profits,

which have not only raised rates to those who had these conveniences but have increased costs of things bought by farmers from merchants and manufacturers who charged these rates in their overhead.

The clearest statement I have found of this situation is made by Charles Beard in his history, *The Rise of American Civilization*, wherein he states: "In every age and in every clime where civilization has passed its most primitive form there has always appeared a small group of men devoted to finance, commerce, and industry, who have borne down with terrific oppression upon that group that derive their sustenance from agriculture." This has been true of bankers and implement manufacturers, as well as of railways. Debts have reached such a point today that they can never be paid. Mortgages and bonds are renewed or repudiated.

The long period of depression has pressed down upon the brow of the farmer a grievous crown of thorns in the form of mortgage foreclosures. With our banking system in chaos our land values have shrunk to the vanishing point. The mortgage provision in the farm relief law is far less helpful than the one I worked for as a member of the House Committee on Agriculture, but it is a step toward justice. We must go farther. These foreclosures which are taking place throughout our land are making just as tragic an episode in American history as the selling of slaves in the public square.

Another basic difficulty has been taxation, the burden of Government being largely levied upon property instead of upon wealth measured by income and inheritance. Taxes upon property are levied without any regard to the ability to pay. To such colossal heights have taxes risen that it takes today practically the entire rental income to pay the taxes on most of the farm lands of the West. I find our national tax budget is so high that it threatens the very stability of our Government. It takes as much money to pay the annual interest on our national debt today as it took to run the entire Government when the other Roosevelt lived in the White House.

We cannot tax, borrow, nor bond ourselves into prosperity. The Grange has taken a stand against the sales tax. It is a tax on consumption, a tax on necessities, levied without any regard to ability to pay. Its general purpose is to relieve the rich and powerful and place the load on the backs of the already overburdened masses.

There are outstanding today fifty billions of tax-exempt bonds, practically one fourth of the wealth of the country, bearing no part of the burden of Government. Let us put a stop to this.

Unquestionably one of the real causes for the fall of the price of farm products is the lack of buying power among the consuming masses. I hold in my hand a chart published by the United States Department of Agriculture which shows most graphically that farm prices and the wages of industrial workers rise and fall together. Fifty billions of dollars has been the loss of buying power since the crash of October 1929—10 times the entire value of all farm products raised last year, including those consumed on the farms. We may have temporary restoration of prosperity, but its permanence depends on the adoption of measures which will increase the amount of money divided among the workers.

The farmer is politically helpless unless he is more strongly organized than any other group, because he is outnumbered and scattered. The great rich industries of the East have been created and fostered largely by privilege which has come from political power. The tariff for their benefit has practically ruined the farmers' foreign markets—one of the contributing causes of the downfall.

Whatever may be our plight today we must not lose heart; we must fight politically for economic justice and we shall struggle more hopefully because we have today in Washington an administration more sympathetic with the farmers than any that has preceded it.

I am a firm believer in the quantitative theory of money. My reading of history teaches me that among the great contributing factors that brought us out of the financial crash of 1893 was the addition to our gold supply from South Africa and Alaska, quadrupling in about 15 years the amount of gold used as money. If we cannot again repeat the experience of 30 years ago it seems to me the logical thing would be to coin silver—yes; at the ratio of 16 to 1, creating an unlimited demand for silver, thus raising commodity prices the world over. The President has been given that right and I believe he has the courage to use it. The law also gives him the right to cause to be issued three thousand millions of currency. How much better to issue currency than to create greater public debt by borrowing money through interest-bearing and nontaxable bonds. We farmers certainly agree with our President's statement in his radio speech on May 6, when he said: "Government credit and Government currency are really one and the same thing. Behind Government bonds there is only a promise to pay. Behind Government currency we have, in addition to the promise to pay, a reserve of gold and a small reserve of silver."

The causes of our troubles may be quickly summarized—interest, taxes, tax-exempt securities, fixed dividends for public utilities, high tariffs for the privileged few, lack of credit and adequate banking system, lack of buying power among the workers—all economic evils subject to correction through our political system.

Can the farmer come back? Yes; if he will use his governmental privileges. He can get cheaper and more plentiful money; he can reduce public expenditures; conditions can be made under which men will have jobs and buying power. He can insist upon

a guaranteed insurance for bank deposits so that we shall never again suffer the collapse of our banking system. We can accomplish this by the ballot, our strongest weapon, and in many States by the recall and the initiative and referendum—truly popular government. We cannot handle our new economic problems by old political methods.

The political alignment is wrong. It is apparent today that both parties have conservatives and liberals. The farmers of America may help themselves by voting for their own kind. There are no better legislators than intelligent, thinking farmers.

Let me say to my farmer friends today, join the farm organizations in the communities in which you live. In my State of Oregon we have an active, virile Grange of 25,000 members. We are interested in legislation and have in a remarkable way affected the political history of the State. Great organizations can effectively bring pressure upon the public and upon legislative bodies.

The farmer cannot stand alone. Only group action will be effective. The farmer cannot come back if he is silent and lets the world forget his economic distress. He must protest wrongs, but he need not resort to violence. The farmer cannot come back unless purchasing power is generally restored. No thinking person dreams of wealth equally distributed but great fortunes and immense aggregations of capital must, through the form of taxation, feel the effect of the leveling hand, so that wealth is equitably divided and opportunity is universal.

Can the farmer come back? Yes; if he may start the return journey without the back-breaking burden of all the accumulated debts of mortgage, interest, and taxes. Farmers must come back and will come back through their own efforts, politically and economically. We must support for public office men who will help us. We must not form our opinions from the advertising press alone; we must be serious students of public questions. We must read, think, discuss, and act. Farmers and industrial workers are interdependent. We went down together, we must rise together. "Live and let live." Our other Roosevelt understood this when he said that in the long run this country is not going to be a good place for any of us to live in unless it is a reasonably good place for all of us to live in.

ST. LAWRENCE WATERWAY

Mr. DIRKSEN. Mr. Speaker, I ask unanimous consent to insert in the RECORD a joint resolution of the Senate and General Assembly of the State of Illinois relative to the St. Lawrence waterway.

The SPEAKER. Is there objection?

There was no objection.

Mr. DIRKSEN. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following joint resolution of the Senate and General Assembly of the State of Illinois relative to the St. Lawrence waterway.

STATE OF ILLINOIS, OFFICE OF THE SECRETARY OF STATE.

To all to whom these presents shall come, greeting:

I, Edward J. Hughes, secretary of state of the State of Illinois, do hereby certify that the following and hereto attached is a true photostatic copy of Senate Joint Resolution No. 27, the original of which is now on file and a matter of record in this office.

In testimony whereof I hereto set my hand and cause to be affixed the great seal of the State of Illinois. Done at the city of Springfield this 25th day of May A.D. 1933.

[SEAL]

EDWARD J. HUGHES,
Secretary of State.

STATE OF ILLINOIS, FIFTY-EIGHTH GENERAL ASSEMBLY 1933.

Senate Joint Resolution 27

Whereas a treaty relating to the St. Lawrence waterway has been negotiated between the United States and Canada which is now before the Senate for ratification; and

Whereas this treaty internationalized Lake Michigan, a body of water entirely within the limits of the United States, and places the control in an international joint commission; and

Whereas it embodies the order of the Supreme Court reducing the flow of water from Lake Michigan into the Chicago River to 1,500 cubic feet per second, and thereby makes this order unchangeable except by international agreement; and

Whereas 1,500 cubic feet per second, as provided in the treaty, is inadequate for the needs of the waterway from the Great Lakes to the Gulf, and is therefore injurious to the entire Mississippi Valley; and

Whereas by the terms of this treaty the cost of the undertaking is borne mainly by the United States and the benefits therefrom are received mainly by Canada; and

Whereas not only are valuable rights of the whole United States surrendered by the treaty for no adequate consideration, but it constitutes a gross injustice to the State of Illinois against which Illinois should have the joint protection and support of its sister States; and

Whereas our two United States Senators, LEWIS and DIETERICH, are making a steadfast fight on behalf of the people of this State against the treaty in its present form: Now, therefore, be it

Resolved by the Senate of the Fifty-eighth General Assembly of the State of Illinois (the house of representatives concurring

herein), That the General Assembly of the State of Illinois petition the Senate of the United States to disapprove and refuse to ratify the proposed treaty, to the end that a fair and just agreement may be negotiated between the United States and Canada; and be it further

Resolved, That copies of this preamble and joint resolution be transmitted forthwith to the President of the United States, the Secretary of State of the United States, and to each Senator and Member of the House of Representatives of Congress from the State of Illinois.

Adopted by the senate May 16, 1933.

THOMAS F. DONOVAN,
President of the Senate.
A. E. EDEN,
Secretary of the Senate.

Concurred in by the house of representatives May 16, 1933.

ARTHUR ROE,
Speaker of the House of Representatives.
CHAS. P. CASEY,
Clerk of the House of Representatives.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. OLIVER of Alabama, for 3 days, on account of illness in family.

To Mr. CLARK of North Carolina, for several days, on account of important business.

To Mr. KEE, for several days, on account of important business.

PERSONAL EXPLANATION

Mr. MARLAND. Mr. Speaker, I was absent from the House yesterday on official business. Had I been present, I would have voted "yea" on the passage of the public-works bill.

LEAVE TO ADDRESS THE HOUSE

Mr. MORAN. Mr. Speaker, I ask unanimous consent to address the House for 2 minutes.

The SPEAKER. Is there objection?

Mr. MARTIN of Massachusetts. Mr. Speaker, I object.

Mr. MORAN. Will the gentleman withhold that?

Mr. MARTIN of Massachusetts. I will withhold it temporarily.

Mr. MORAN. The question, I am sure, is of interest to all Members of the House, and if not given at this time it will not be of value. I have only asked for 3 minutes. It relates to Memorial Sunday and the situation in respect to the attitude of one of the departments of Government.

Mr. BYRNS. Mr. Speaker, a parliamentary inquiry. May I ask the gentleman is he asking to consider a bill?

Mr. MORAN. Nothing to do with considering a bill or any legislation.

Mr. BYRNS. Because I gave my promise there would be no business transacted today.

Mr. MORAN. It is not with regard to any business to be called up.

Mr. MARTIN of Massachusetts. Mr. Speaker, I am going to permit the gentleman to speak 3 minutes, but at the conclusion of his remarks I shall raise the question of no quorum.

The SPEAKER. Is there objection to the request of the gentleman from Maine [Mr. MORAN].

There was no objection.

Mr. MORAN. Mr. Speaker, tomorrow small groups of our citizens will repair to the various national cemeteries for the purpose of decorating the graves of the veterans. It so happens that this particular year a new problem arises through the attitude of one of our departments of Government that I think should be made known to the Members of this House. I will take, for illustration, the cemetery at the National Soldiers Home, Togus, Maine. In that particular cemetery there are 3,500 Civil War veterans buried. It has been the custom in the past to decorate those graves with the usual small flags, and leave those flags there during the summer. I can assure any of you who have never passed that particular cemetery that it is an inspiring picture to see those decorations. This year, however, a new regulation goes into effect which applies not only to that cemetery but to all other national cemeteries. It is this,

that the flags which may be set tomorrow in some localities, or on Memorial Day in other localities, are to be removed the day after Memorial Day, or May 31. A short time ago it was my privilege to go to Gettysburg and witness the scene there, where one of my own ancestors fought, and I cannot help a feeling of consecration to duty as I see a thing of that sort. For some official in Washington to require the removal of those flags on May 31 is abhorrent to me; it violates the American custom of proper commemoration. I have protested to the Veterans' Bureau against this ruling, and I hope it may be changed before it is too late.

The SPEAKER. The time of the gentleman from Maine has expired.

Mr. MARTIN of Massachusetts. Mr. Speaker, I question the presence of a quorum.

ADJOURNMENT

Mr. BYRNS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 12 o'clock and 20 minutes p.m.), the House adjourned until Monday, May 29, 1933, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

81. Under clause 2 of rule XXIV, a letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated May 17, 1933, submitting a report, together with accompanying papers, on a preliminary examination and survey of waterway connecting Core Sound and Beaufort Harbor, N.C., authorized by the River and Harbor Act approved July 3, 1930, was taken from the Speaker's table and referred to the Committee on Rivers and Harbors.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. RANKIN: Committee on the Territories. H.R. 5767. A bill to authorize the appointment of the Governor of Hawaii without regard to his being a citizen or resident of Hawaii; without amendment (Rept. No. 168). Referred to the House Calendar.

Mr. STEAGALL: Committee on Banking and Currency. House Joint Resolution 192. Joint resolution to assure uniform value to the coins and currencies of the United States; without amendment (Rept. No. 169). Referred to the Committee of the Whole House on the state of the Union.

Mr. BANKHEAD: Committee on Rules. House Resolution 161. Resolution providing for the consideration of House Joint Resolution 192, a joint resolution to assure uniform value to the coins and currencies of the United States; without amendment (Rept. No. 170). Referred to the House Calendar.

CHANGE OF REFERENCE

Under clause 2 of rule XXII, the Committee on Military Affairs was discharged from the consideration of the bill (H.R. 5508) for the relief of John Frank Peters, and the same was referred to the Committee on Naval Affairs.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. WILCOX: A bill (H.R. 5811) granting the consent of Congress to the Overseas Road and Toll Bridge District, a political subdivision of the State of Florida, to construct, maintain, and operate bridges across the navigable waters in Monroe County, Fla., from Lower Matecumbe Key to No Name Key; to the Committee on Interstate and Foreign Commerce.

By Mr. WATSON: A bill (H.R. 5812) to provide for the prevention of blindness in infants born in the Dis-

trict of Columbia; to the Committee on the District of Columbia.

By Mr. KRAMER: A bill (H.R. 5813) to amend section 4 of the act approved March 2, 1929, entitled "An act to supplement the naturalization laws, and for other purposes" (45 Stat. 1512); to the Committee on Immigration and Naturalization.

By Mr. BANKHEAD: Resolution (H.Res. 161) providing for the consideration of House Joint Resolution 192, a joint resolution to assure uniform value to the coins and currencies of the United States; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BLANTON: A bill (H.R. 5814) for the relief of Mollie J. Hill; to the Committee on Pensions.

By Mr. DIRKSEN: A bill (H.R. 5815) for the relief of Carl C. Block; to the Committee on Claims.

By Mr. EVANS: A bill (H.R. 5816) granting a pension to Addie E. Kennedy; to the Committee on Pensions.

By Mr. McSWAIN: A bill (H.R. 5817) for the relief of the Mary Black Clinic; to the Committee on Claims.

By Mr. PARKER of New York: A bill (H.R. 5818) granting an increase of pension to Mary E. Harrington; to the Committee on Invalid Pensions.

By Mr. TRAEGER: A bill (H.R. 5819) for the relief of John Micklos; to the Committee on Military Affairs.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1209. By Mr. GIBSON: Petition of Rutland Post, No. 31, of the American Legion, opposing removal of Burlington regional office of Veterans' Administration; to the Committee on World War Veterans' Legislation.

1210. By Mr. KRAMER: Petition of Los Angeles Chapter, No. 5, Disabled American Veterans of the World War, urging Mr. KRAMER to insist in the Democratic caucus that Congress does not adjourn until President changes regulations and gives back to service-connected disabled veterans those rights, schedules, ratings, retirements, compensations, presumptions, and pensions that were enjoyed prior to the passage of Public, No. 2, Seventy-third Congress; to the Committee on World War Veterans' Legislation.

1211. By Mr. LEHR: Petition of voters of Washtenaw County, asking that the Presidential public-works program be financed by the issue of legal-tender Government national notes instead of interest-bearing tax-exempt bond issues; to the Committee on Ways and Means.

1212. By Mr. LESINSKI: Petition of Gaelic League of Detroit, Mich., protesting against cancelation, revision, modification, or the extension of time for payment of any installment of public debts due to the United States from foreign countries under existing debt agreements; to the Committee on Foreign Affairs.

1213. By Mr. LINDSAY: Petition of American Manufacturers Export Association, New York City, urging the delegation by Congress to the President of full powers to negotiate and conclude reciprocal tariff arrangements between the United States and other individual nations; to the Committee on Ways and Means.

1214. Also, petition of the New York Lumber Trade Association, New York City, concerning tariff on lumber; to the Committee on Ways and Means.

1215. Also, petition of National Woman's Party, New York City, urging the passage of House bill 3673; to the Committee on Immigration and Naturalization.

1216. By Mr. RUDD: Petition of National Women's Party, New York City committee, favoring the passage of House bill 3673; to the Committee on Immigration and Naturalization.